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## vision and mission

Sembcorp Marine aims to be the world leader in ship repair, shipbuilding, ship conversion, rig building and offshore engineering & construction, providing innovative solutions that exceed its customers' expectations. While anchoring itself for sustainable growth, the Group continues to commit itself to fulfilling the changing needs and aspirations of its employees.

# corporate profile

- A leading global marine and offshore engineering group with 50 years of heritage and proven track record.
- Headquartered in Singapore with a global headcount of close to 11,300 employees and worldwide operations spanning the key hubs of Brazil, India and United Kingdom with strategic presence in Indonesia, China and the United States.
- Singapore operations comprising five yards Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard and Jurong SML – and an Integrated Tuas New Yard.
- Proven capabilities in delivering timely and innovative solutions as well as managing complex turnkey projects and repairs while meeting high standards of health, safety, security and environment.
- Strong track record in marine and offshore repairs & upgrading, the building of high-specification jack-up rigs, the fast-track construction of ultra-deepwater semi-submersible rigs, the conversion of floating production and storage facilities, and the engineering & construction of offshore platforms.
- Well-established long-term alliances with international ship operators that provide a stable and growing base-load in ship repair.
- Development and ownership of proprietary designs catering to rigs, drillships and vessels.
- Continuous research and development as well as process improvements to further raise operational efficiency and productivity for greater competitiveness.

Turnover \$4.4billion

Operating Profit \$554 million

Net Profit \$538 million

Net Asset Value per Share \$1.17

Return on Equity 22%

Total Dividend per Share 13cents

Economic Value Added \$384 million

Market Capitalisation sa at 6 March 2013

highlights

- Net orderbook of contract orders worth \$13.9 billion, with completion and deliveries extending till 2019.
- Secured contracts worth approximately \$7.0 billion from Sete Brasil to design and build seven drillships based on the proprietary Jurong Espadon design.
- Integrated Tuas New Yard (Phase I) in Singapore and new Brazilian yard Estaleiro Jurong Aracruz on track for completion by 2H 2013 and end 2014 respectively.
- Expanded global presence with acquisition of Sembmarine SLP in United Kingdom to tap into new areas in the renewable energy sector and fabrication of minimal facilities platforms for oil & gas fields in North Sea and Asia Pacific waters.

2012 SCORECARD









#### **1963**

- Incorporation of Jurong Shipyard
- 1st commercial shipyard in Singapore
- the Singapore government and IHI of Japan



#### 1965

• Official opening of first drydock in Jurong Shipyard



- Incorporation of Jurong Shipbuilders
- Incorporation of Sembawang Shipyard



#### 1972

• Official opening of largest 300,000 dwt drydock in Jurong Shipyard

#### 1973

• Public listing of Sembawang Shipyard Ltd



#### 1975

• Official opening of 400,000 dwt drydock in Sembawang Shipyard

#### 1976

• Merger of Jurong Shipbuilders with Jurong Shipyard



#### **1**987

• Public listing of Jurong Shipyard Ltd



### 1996

- Inauguration of 500,000 dwt ULCC drydock in Jurong Shipyard
- Docking of largest ULCC tanker, the Chevron South America





#### 1997

- Acquisition of Sembawang Shipyard by Jurong Shipyard



#### 1999

- Incorporation of Jurong Shipyard
- Acquisition of SML Shipyard

#### 2000

 Name change to Sembcorp Marine Ltd



#### 2001

- Acquisition of 50% stake in PPL Shipyard
- Acquisition of 35% stake in Maua Jurong, Brazil





#### →2002

 Acquisition of 20% stake in Cosco Dalian Shipyard

#### **2003**

 Acquisition of additional 35% stake in PPL Shipyard: shareholding increased to 85%



## **Sembcorp Marine is 50 Years**

2013 marks an important milestone for Sembcorp Marine as it celebrates its 50th Anniversary.

With 50 years of proven track record, Sembcorp Marine has distinguished itself as an industry leader in the marine and offshore sector. From a single ship repair yard in 1963, Sembcorp Marine has progressed up the value chain and technology ladder, expanding its core capabilities from ship repair and shipbuilding to ship conversion, rig building and offshore engineering & construction.

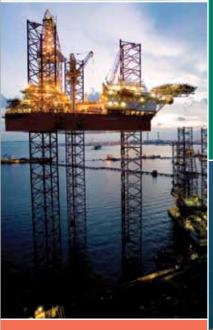
Today, Sembcorp Marine is a leading global marine and offshore engineering group with an international network spanning six yards in Singapore, comprising Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard, Jurong SML and the Integrated Tuas New Yard, as well as operations in the key growth hubs of Brazil, India and the United Kingdom with strategic presence in Indonesia, China and the United States.



#### **2004**

 Acquisition of 30% stake in enlarged Cosco Shipyard Group





#### **~** 2009

- Announced plans to develop a 206-hectare Integrated New Yard Facility at Tuas View Extension
- Incorporation of Sembmarine Kakinada, India



#### **2013**

 Commercial operation of Phase I Integrated New Yard Facility in Singapore



 Acquisition of SMOE & P.T. SMOE Indonesia



- Incorporation of Estaleiro Jurong Aracruz, Brazil
- Groundbreaking of Phase I Integrated New Yard Facility in Tuas View Extension

#### 2011

• Groundbreaking of Estaleiro Jurong Aracruz, Brazil



 Acquisition of 70% stake in SLP Engineering, renamed Sembmarine SLP. UK



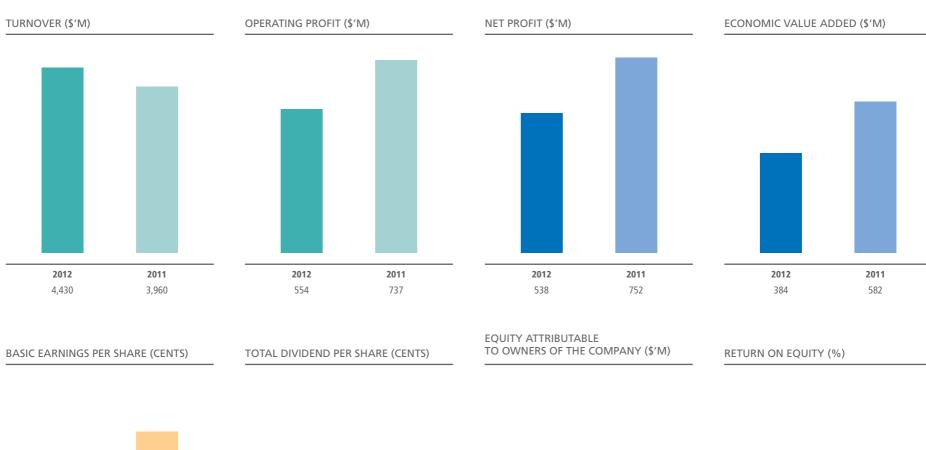
# group financial highlights

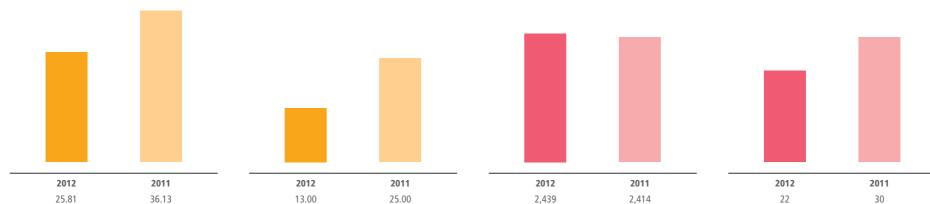
\$'000	2012	2011	% Change
Group Income Statement			
Turnover	4,430,123	3,960,230	12
Profit			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	648,206	823,407	(21)
Operating profit	554,218	737,129	(25)
Profit before tax	629,647	859,913	(27)
Net profit	538,453	751,903	(28)

\$'000	2012	2011	% Change
Economic Value Added (EVA)			
Net operating profit after tax (NOPAT)	582,500	781,678	(25)
Capital charge	198,945	199,227	-
EVA	383,555	582,451	(34)
EVA attributable to owners of the Company	361,434	571,137	(37)

\$'000	2012	2011	% Change
Group Balance Sheet			
Total assets	5,786,457	5,051,646	15
Total liabilities	3,239,432	2,545,566	27
Net tangible assets	2,404,871	2,377,261	1
Equity attributable to owners of the Company	2,438,524	2,414,257	1
Non-controlling interests	108,501	91,823	18
Total equity	2,547,025	2,506,080	2
Cash and cash equivalents	1,408,907	1,989,612	(29)
Interest-bearing borrowings	(332,981)	(35,111)	848
Net cash	1,075,926	1,954,501	(45)

	2012	2011	% Change
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	25.81	36.13	(29)
Diluted (cents)	25.80	36.10	(29)
Dividend per share			
One-tier tax-exempt (cents)	13.00	25.00	(48)
Net asset value per share (cents)	116.80	115.92	1
Net tangible assets per share (cents)	115.19	114.14	1
Return on turnover (%)	12.15	18.99	(36)
Return on total assets (%)	9.94	14.56	(32)
Return on equity (%)	22.19	29.99	(26)







# letter to shareholders

#### Dear Shareholders

The year 2012 was another challenging year for the global economy. Against this backdrop of economic uncertainty and challenging operating conditions, Sembcorp Marine delivered a net profit of \$538 million, which included a write-back of tax provision relating to prior year's gain on disposal of equity investments of \$41 million.

The Group registered a turnover of \$4.4 billion in 2012, with operating profit at \$554 million and pre-tax profit at \$630 million. Earnings per share (EPS) were 25.8 cents with return on equity (ROE) at 22.2 per cent and economic value added (EVA) at \$384 million.

While we strive to reward our shareholders on an annual basis with a consistent and sustainable ordinary dividend and a variable special dividend based on our cash position, working capital, capital expenditure plans, acquisition opportunities and market environment, we also need to position our company for long-term sustainable growth.

For this year, despite our high capital expenditure to enhance our competitiveness with the development of our Integrated New Yard Facility in Singapore and in Brazil, the Board of Directors is pleased to propose a final one-tier tax-exempt cash dividend of 8 cents per share comprising a final ordinary one-tier tax-exempt cash dividend of 6 cents per share and a final special one-tier tax-exempt cash dividend of 2 cents per share.

Including the interim one-tier tax-exempt cash dividend of 5 cents per share paid on 31 August 2012, the total dividend for 2012 will be 13 cents per share, which translates to a payout ratio of 50 per cent.

The proposed final and special cash dividend, if approved at the Annual General Meeting to be held on 19 April 2013, will be paid on 13 May 2013.

## Non-controlling Interest

On 30 May 2012, the High Court released its judgement together with the Grounds of Decision on the legal suit against PPL Holdings and its wholly-owned subsidiary E-Interface Holdings for the transfer of the remaining 15 per cent share in PPL Shipyard. Although the decision was not favourable, the Company filed an appeal to the Court of Appeal on 29 June 2012. Judgement was reserved on 8 November 2012.

Pending the outcome of the appeal, we continued to consolidate our 85 per cent interest in PPL Shipyard and separately account for the 15 per cent as a "non-controlling interest".

# Review of Business Operations

In 2012, the Group's shipyards were kept busy with the execution of projects secured in the current and prior years. Excluding ship repair, project deliveries comprised two jack-up rigs and two semi-submersible rigs, together with four ship conversion and offshore facilities.

We secured a record net order book of \$13.9 billion as at February 2013, with completions and deliveries stretching to 2019. This includes \$12.1 billion in contract orders secured from the start of 2012 to date, excluding ship repair contracts.

Turnover in 2012 was \$4.4 billion, 12 per cent higher as compared with \$4.0 billion in 2011 attributable mainly to more projects from ship conversion, offshore facilities and rig building which achieved progressive revenue recognition.

The rig building sector was the largest contributor, constituting 53 per cent or \$2.4 billion of total turnover in 2012 followed by ship conversion & offshore facilities at 32 per cent or \$1.4 billion, ship repair at 14 per cent or \$642 million and others at 1 per cent or \$37 million.



Mr Goh Geok Ling, Sembcorp Marine's Chairman, and senior management at the Ekofisk Accommodation Topside Project site

## **Safety Focus**

In December 2012, a jack-up rig under construction at our subsidiary Jurong Shipyard tilted. At the time of the incident, the company acted quickly, evacuating all workers off the rig in around 20 minutes and ensuring all were accounted for within an hour. In mid-January 2013, the tilted rig was successfully restored to its original upright position, and this was followed by the resumption of work

on the rig at the end of the month. Although there were no fatalities and no one sustained serious injuries, we are undertaking a thorough investigation into the cause of the incident. Safety remains of utmost importance to us, and we are fully committed to continuously strengthen, review and enhance our systems and processes to ensure the safety of our workers, contractors, vendor partners, customers and stakeholders.

### letter to shareholders











Successful deliveries: (Clockwise from top) Seadrill's second Moss Maritime CS50 MKII semi-submersible rig **West Leo** and Atwood Oceanics' second F&G ExD Millennium Class semi-submersible rig **Atwood Condor** built by Jurong Shipyard as well as Atwood Oceanics' first two of three proprietary Pacific Class 400 design jack-up rigs **Atwood Manta** and **Atwood Mako** constructed by PPL Shipyard.



**SuperStar Gemini** (on right) and **Genting World** from Star Cruises undergoing upgrading at Sembawang Shipyard.

# Laying the Foundations for Long-term Sustainable Growth

#### Expanding Product Offerings

During the year, the Group continued to lay the foundations for long-term sustainable growth. To stay ahead of the competition, we successfully expanded our product offerings, secured orders for new products including a US\$386 million semi-submersible well intervention rig from Helix Solutions, a US\$568 million harsh-environment semi-submersible rig from North Atlantic Drilling and a second harsh-environment accommodation semisubmersible rig unit worth US\$295 million from Prosafe. In 2012, we successfully broke new ground, securing orders for the construction of seven high-specification drillships worth a total of US\$5.6 billion from Sete Brasil. With deliveries scheduled from 2015 to 2019, the seven drillships will be among the first to be built in Brazil for the country's oil and gas discoveries in the offshore giant pre-salt fields of the Santos Basin. They will be built based on our proprietary Jurong Espadon design, which represents the next generation of high-specification drillships with state-of-the-art capabilities for efficient operation in ultra-deepwater conditions.

## Phase 1 of Integrated New Yard on Track to Commence Operations 2H 2013

To better serve our customers, Phase I of our Integrated New Yard Facility, which spans 73.3 hectares, is on track to be commercially operational in the second half of 2013. Designed with leading-edge technology, the new yard will be equipped with four very large crude carrier (VLCC) drydocks, 3.8 kilometres of quays and wharfs, workshops and related facilities, capable of servicing a wide range of vessels, including VLCCs, new generations



Artist impression of Prosafe's second harsh-environment GVA 3000E accommodation semi-submersible rig



The seven drillships, built based on the Group's proprietary Jurong Espadon drillship design, will position Sembcorp Marine as the leading builder of drillships in Brazil.

#### letter to shareholders

of mega containerships, Liquefied Natural Gas (LNG) carriers, passenger ships and offshore vessels, as well as undertaking floating production storage and offloading (FPSO) conversions.

Reinforcing our competitive edge, customers will benefit from enhanced services and faster turnaround times with its improved logistics, better and efficient workflow and introduction of new automation. It will also be geared to meet the stringent safety and quality requirements of vessels and to comply with new regulatory and environmental standards. In addition, we acquired a 34.5-hectare site for the second phase development of the yard. Located adjacent to the new yard facility's upcoming first phase, this second phase will be developed in stages over a period of four to five years.

#### Expanding our Brazilian Hub

Construction work on Estaleiro Jurong Aracruz, Sembcorp Marine's first overseas integrated new yard facility in Brazil, has commenced. The wholly-owned locally incorporated 82.5-hectare Brazilian shipyard, which broke ground in December 2011, is on track to be fully completed by end 2014. On completion, the shipyard will have capabilities to undertake the construction of drillships, semi-submersible and jack-up rigs, platforms and supply vessels as well as FPSO integration and topside module fabrication, in addition to traditional services in drilling rig repairs, ship repairs and modification and upgrade works.

#### Presence in India

Sembmarine Kakinada, Sembcorp Marine's joint venture yard on the east coast of India, commenced docking and repair operations with the commissioning of a 13,500-tonne floating dock. Serving customers operating in India and South Asia, the marine and offshore facility offers services including the repair and servicing of offshore vessels and ships, newbuilding of offshore vessels, riser and equipment repairs as well as modules fabrication.

#### Footprint in United Kingdom

During the year, Sembcorp Marine acquired SLP Engineering, a fabrication yard in the United Kingdom with 40 years of experience in the oil and gas industry. Renamed Sembmarine SLP, the yard will further strengthen the Group's experience in building major offshore structures, offering opportunities to tap into new business areas in renewable energy and fabrication of minimum facilities platforms for the oil and gas fields in the North Sea and Asia Pacific waters.

### **Sustainability for Growth**

We are committed to be a socially responsible company and will further develop our business in a sustainable manner by balancing economic, environmental and social objectives. To meet these objectives, we are guided by the company's vision, core values, strategy and internationally recognised principles, standards and guidelines.



FPSO Cidade de Itajai en route to offshore Brazil for deployment upon its successful conversion by Jurong Shipyard for OOG-TKP FPSO



Sail-away of **Seven Borealis**, the world's largest heavy lift crane carrier, built by Sembawang Shipyard for Subsea 7.

The key to Sembcorp Marine's long-term sustainability lies in our business model. As a responsible business enterprise, we are focused on creating recurring value for our customers, suppliers, partners and communities, protecting the health and safety of our employees and business partners, limiting our impact on the environment, using resources more efficiently as well as investing in communities where we operate.

The Group is reporting its sustainability efforts in accordance with the Global Reporting Initiative (GRI) G3.1 guidelines Level B. An internationally-accepted GRI framework, the GRI guidelines provide a useful framework for us to prioritise and manage sustainability issues as well as track sustainability performance.

In expanding our global footprint, we continued to recruit, train and retain the best people in the industry to boost Sembcorp Marine's success. To further motivate our staff, we introduced a flexible benefits programme during the year to provide greater choice to employees in customising the benefits to suit their needs and those of their family members.

At the Group and subsidiary yard levels, we reached out to many segments of the community through various initiatives, including our annual School Book Assistance Grant (SchoolBAG) and Green Wave programmes. In 2012, our philanthropic and community care initiatives channelled close to \$2.2 million towards worthy causes.

The journey towards sustainability is a continuous one and we are committed to advance our efforts towards a sustainable future for generations to come.

### **Outlook and Prospects**

The Group has a net order book of \$13.9 billion, excluding ship repair contracts, with completion and deliveries stretching into 2019. This includes \$11 billion in contract orders secured in 2012 and \$1.1 billion in new orders secured since the start of 2013. Moving ahead, the Group remains focused on operational efficiency, productivity improvements, safety management and the timely deliveries of these record orders to our customers.

While the global economic environment remains fragile, the long-term industry fundamentals for the offshore oil and gas sector remain sound underpinned by high oil prices and projected increases in offshore exploration and production spending. Demand for rigs is expected to remain strong given the ageing rig fleet and the increasing focus by oil companies for new, safer and efficient rig units and rigs capable of operating in harsh environment.

For the ship repair sector, there is continued demand for repair, upgrading and life extension work, in particular in the niche segments of LNG carriers, passenger/cruise vessels and offshore vessels. Demand for the Group's big docks remains strong as our alliance and long-term customers continue to provide a stable and steady baseload.

Overall, the Group continues to receive healthy enquiries for the various segments although competition remains keen with effects on margin.

## **Appreciation**

On behalf of the Board, we would like to record our appreciation to Mr Richard Hale, OBE, for his years of wise counsel and dedicated service. Mr Hale, appointed a director since 2008, retired under Section 153 of the Companies Act, Cap.50 and did not offer himself for re-appointment at the 49th Annual General Meeting.

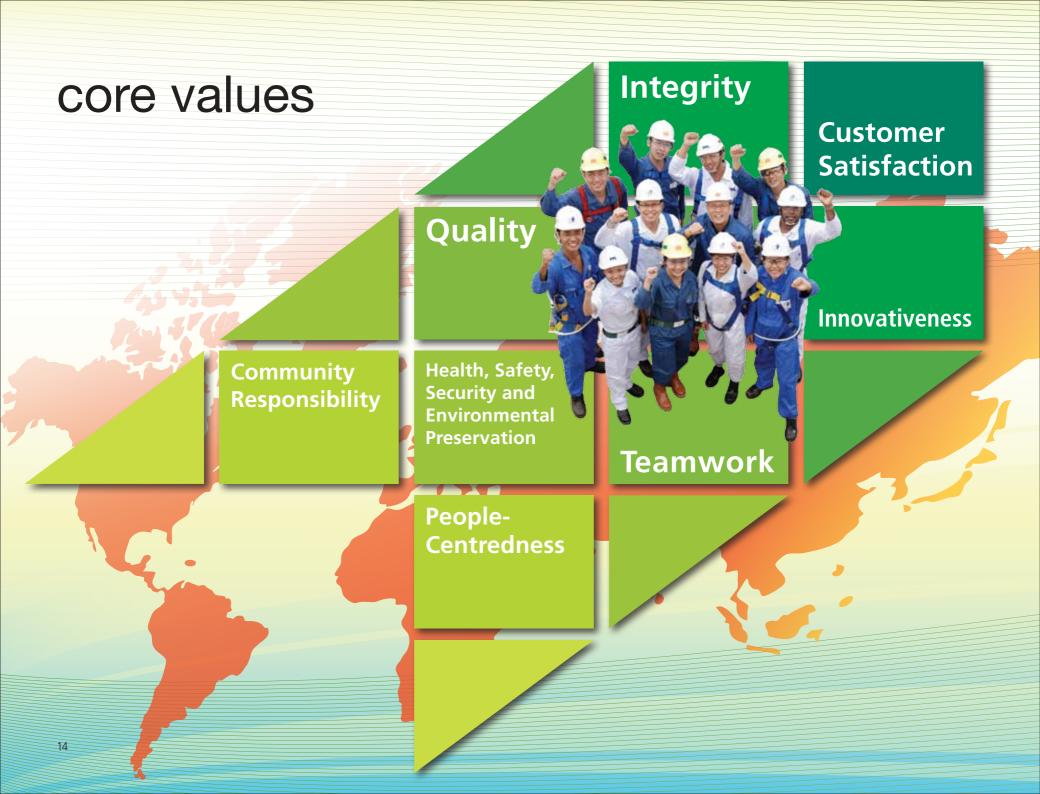
We would also like to convey our heartfelt appreciation to our valued customers, partners and business associates for their strong support and continued trust in us. Our appreciation also extends to the Board of Directors for their stewardship and counsel as well as our dedicated management team, employees, union and sub-contractor partners for their tireless efforts, loyalty and contributions in the past year.

Finally, we would like to express our sincere thanks to all our valued shareholders for their sustained interest and steadfast confidence in Sembcorp Marine. We will continue to strive towards delivering sustained value creation for our shareholders.

Goh Geok Ling Chairman

Wong Weng Sun President & CEO

6 March 2013





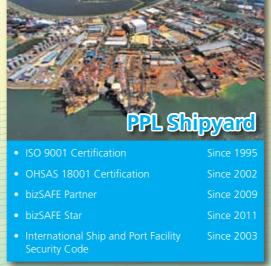
ISO 9001 Certification	Since 1995
OHSAS 18001 Certification	Since 2002
bizSAFE Partner	Since 2007
• bizSAFE Star	Since 2011
International Ship and Port Facility     Security Code	Since 2003
Singapore Quality Class Certification (SQC)	Since 2000
Singapore Innovation Class Certificate	Since 2003

#### Sembawang Shipyard • ISO 9001 Certification Since 1996 OHSAS 18001 Certification Since 2005 • International Safety Rating System (ISRS) Since 1994 • International Quality Rating System (IQRS) Since 2000 • ISO 14001 Certification Since 2002 bizSAFE Partner Since 2008 • bizSAFE Star Since 2011 • International Ship and Port Facility Since 2004 Security Code • Singapore Quality Class Certification (SQC) Since 1996

# certifications







# managing sustainability

Sembcorp Marine recognises that sustainability is integral to business excellence and long-term competitiveness. Beyond pursuing growth, expansion and profitability, the Group also embraces its environmental, social and governance responsibilities as a people-centred organisation and a good corporate citizen.

Committed to creating value for stakeholders and society, the Group is focused on sound corporate governance, employee development and welfare, health, safety and security excellence as well as community care and environmental protection.

#### **Reporting Scope**

Sembcorp Marine published its second sustainability report in 2012, to cover its approach in embedding sustainability into its policies, structure and day-to-day operations. Conforming to the Global Reporting Initiative (GRI) G3.1 Guidelines, this report fulfills the requirements of GRI Application Level B, as confirmed through the GRI Application Level Check Statement. Over 30 GRI indicators, focusing on the three key areas of Environmental, Social and Governance, have been disclosed.

The report solely covers the Group's headquarters and the five shipyards in Singapore. The yards comprise Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard and Jurong SML. All data and information reported refer to the Group's Singapore operations from 1 January 2012 to 31 December 2012, unless otherwise stated.

To minimise the impact on the environment, limited copies of this report have been printed and the online report is available at **www.sembcorpmarine.com.sg**. A complete overview of GRI standard disclosures and performance indicators can be found in the GRI Index on pages 114 to 118.

#### **Commitment to Sustainability**

Sustainability permeates all facets of Sembcorp Marine's operations and is encapsulated within the Group's corporate vision and eight core values, guiding the way the Group conducts its business and interacts with stakeholders. The importance of sustainability is conveyed to employees and stakeholders through various platforms and events as

well as through communication channels such as the company website, banners, posters and publications.

Using a precautionary approach in managing sustainability issues, Sembcorp Marine has in place an effective framework to align the Group's operations to its sustainability objectives. Strategic business units across the Group's five subsidiary yards as well as the Group's various corporate divisions

- including Investor Relations & Communications, Human Resource, Finance, Legal and Secretariat, Internal Audit and Risk Management – play a proactive role in steering sustainability in areas such as environment, health, safety, security, human resource, finance and governance.

There are also cross-functional work teams, where members from different disciplines contribute their knowledge and expertise to address sustainability issues in a comprehensive and coordinated manner. These work groups operate at the Group level and include the Health, Safety, Security and Environment Committee, Enterprise Risk Management Committee, Project Risk Management Committee, Finance Committee as well as the Corporate Social Responsibility Committee.

**Board of Directors** 

President & CEO

**Strategic** 

**Business** 

Units

**Corporate Functions** 

Cross Functional Teams

#### Communication Platforms in 2012

#### **Customers**



- Annual alliance meetings with partners
- · Customer surveys and feedback forms
- Regular project coordination meetings and customer visits
- Naming and delivery events for completed projects
- Participation at exhibitions, conferences and networking events
- Corporate website, e-mailers and newsletters

#### **Suppliers & Contractors**



- Toolbox meetings and safety briefings
- Inspections and quality checks
- Safety campaigns and events
- Performance audits
- Site inspections of projects
- Ongoing dialogues with partners
- Training sessions for contractor partners

#### **Employees**



- Bi-annual engagement survey
- Rollout of flexible benefits scheme
- Briefings and toolbox meetings
- Training and development programmes
- Social events including festive celebrations
- Meet management sessions
- Safety and innovation campaigns
- Union-management dialogues
- Newsletters, posters and memos

#### Financial Community (incl. regulators & media)



- Quarterly results announcements and news releases
- Briefings for analysts and media
- More than 120 meetings and conference calls
- 19 site visits to vards
- Annual General Meetings
- Roadshows and investor conferences
- Corporate website and newsletters

#### **Government & Industry Partners**



- Participation in exhibitions including Offshore Technology Conference, Posidonia and Shipbuilding, Machinery & Marine Technology International Trade Fair
- Formal and informal dialogue sessions with government authorities and trade associations on safety, health, manpower, security and environment issues
- Events to promote the industry such as the Latin Asia Business Forum and Amazing Maritime Challenge
- Safety campaigns and training seminars held in conjunction with industry partners

#### **Local Communities**



- Contribution of close to \$2.2 million, including \$315,350 for School Book Assistance Grant Programme
- Scholarships and bursaries for deserving youths and children
- National Day Parade sponsorship and participation
- Green Wave Environmental Care Competition for Schools
- Yard tours hosting more than 1,000 students and other community members
- Philanthropic and volunteering initiatives

#### **Stakeholder Engagement**

In addressing a broad range of material issues affecting the Group, Sembcorp Marine collaborates closely with its diverse stakeholders and communicates regularly to keep them abreast of its latest developments. From these relationships and activities, the Group gains valuable insights into emerging trends, risks and opportunities. These in turn help improve Sembcorp Marine's understanding of the business environment, shape its sustainability approach and align its business strategy better in achieving its strategic vision.

From the study carried out in 2011 in line with the AA1000 Stakeholder Engagement Standard, the main stakeholder groups have been identified as customers, employees, governments and regulators, the investment community, media, members of local communities where it operates, contractors and suppliers.

Stakeholder engagement within the Group occurs on a daily basis and at many different levels of the organisation ranging from formal meetings, dialogue sessions, customer events and initiatives with the community. Key examples of stakeholder engagement in 2012 are highlighted on page 17.

The sections in this annual report on Corporate Governance, Risk Management, Investor Relations and Achieving Sustainability provide further information on the various levels of engagement with the Group's stakeholders.

#### **Material Issues**

To review the material issues and determine its continued relevance to Sembcorp Marine, the second cross-functional workshop was held in the year facilitated by an independent sustainability consultant. Based on the AA1000 five-part materiality test and GRI G3.1 guidelines, issues were assigned based on three categories: Level 1 (critical), Level 2 and Level 3, according to their relevance and significance to internal and external stakeholders.

The table below outlines the 23 issues in these three categories alongside the chapters and page numbers where further information on the issue is disclosed within this annual report. Moving forward, the Group will review these issues on an ongoing basis to ensure they remain relevant and material to its business and stakeholders.

#### **Corporate Governance**

(Pg 26 to 35)

- ▲ Regulatory and legal compliance
- Corporate governance

#### **Risk Management**

(Pg 36 to 39)

- Crisis management/Business continuity management
- Reliability and availability of critical assets

#### **Financial Review**

(Pg 48 to 61)

Profitability

#### **Enhancing Competitiveness**

(Pg 84 to 89)

- Customer satisfaction
- Productivity
- Product and service quality
- Research and development and investment in technology

### Nurturing People

(Pg 90 to 97)

- Talent retention
- Work-life balance/Staff welfare
- Learning and development
- Foreign workers' welfare

# Workplace Safety and Security

(Pg 98 to 103)

- ▲ Workers' safety
- Health and safety performance
- Security

#### **Protecting the Environment**

(Pg 104 to 109)

- Air quality management
- Water resource management
- Waste management
- Energy management
- Materials usage
- Recycling potential

#### **Caring for the Community**

(Pg 110 to 113)

Community initiatives

- ▲ Level 1 issues (Most critical)
- Level 2 issues
- Level 3 issues

## Summary of Financial, Social and Environmental Performance

	2010	2011	2012
Financial			
Turnover (S\$'000)	4,554,863	3,960,230	4,430,123
Net profit (S\$'000)	860,266	751,903	538,453
Economic value added (S\$'000)	740,319	582,451	383,555
Environmental			
Direct energy consumption (GJ)	738,199	827,245	857,641
Indirect energy consumption (GJ)	526,966	553,418	615,258
Steel consumption <sup>◆</sup> (mT)	79,400	124,668	163,012
Water consumption (m³)	2,001,390	2,114,418	2,352,321
Non-hazardous waste* (mT)	37,779	40,422	39,493
Hazardous waste* (mT)	1,737	2,200	4,015
Used copper slag for recycling* (mT)	97,079	113,101	95,560
Steel scrap for recycling* (mT)	26,720	22,977	32,546
GHG emissions from direct energy (tCO <sub>2</sub> e)	49,062	54,980	56,803
GHG emissions from use of liquefied gases (tCO₂e)	72,499	204,178	215,498
GHG emissions from indirect energy (tCO₂e)	73,804	79,231	87,948
Social			
Headcount	8,624	9,479	10,458
Investment in training (\$m)	3.7	4.5	5.0
Employee turnover rate (%)	13.1	10.2	9.2
Community investments (\$m)	1.0	1.8	2.2
Accident severity rate (per million man-hours)	68.3	271.4	86.8
Accident frequency rate (per million man-hours)	0.4	0.4	0.7
Workplace injury rate	_ #	143.7	378.8

#### **Future Reporting**

The journey towards sustainability is a continuous one. The report will be built upon to include how sustainability issues are managed in all significant local and overseas operations. Over time, the report will also expand on the number of indicators and provide more in-depth disclosure. The Group is also working towards external assurance for future reports.

For feedback and suggestions on the Group's sustainability report, please email Investor Relations & Communications Department at ir@sembcorpmarine.com.sg.

Figures have been revised to reflect improved data sources from PPL Shipyard and SMOE

<sup>★</sup> Figure excludes PPL Shipyard, where waste disposal volume was not tracked through its outsourced licensed disposal vendors

<sup>#</sup> The workplace injury rate indicator was introduced in 2011

#### governance and transparency

# board of directors

#### 1. Mr Goh Geok Ling

Chairman

Non-Executive/Independent Director

Appointed 14 February 2006
Chairman, Executive Committee and
Executive Resource & Compensation Committee

Mr Goh has been appointed Chairman of Sembcorp Marine since 14 February 2006. An independent director, he heads the Board's Executive Committee and Executive Resource & Compensation Committee. He serves as a member of the Board's Nominating Committee.

Currently the Chairman of Jurong Shipyard, Sembawang Shipyard and SMOE, Mr Goh also serves as a director of Sembcorp Industries.

Mr Goh holds a Bachelor of Engineering from the University of Sydney, Australia. His past directorships in listed companies and major appointments between 2008 and 2012 were with DBS Bank, DBS Group Holdings, 02Micro International and Venture Corporation.

#### 2. Mr Wong Weng Sun

**President & CEO** 

Executive/Non-Independent Director

Appointed 1 May 2009

Mr Wong is the President & CEO of Sembcorp Marine since 1 May 2009. He is also the Managing Director of Jurong Shipyard.

He also sits on the boards of a number of the Group's subsidiaries including Jurong Shipyard, Sembawang Shipyard, SMOE and PPL Shipyard.

Mr Wong is the President of the Association of Singapore Marine Industries and sits on the boards of the Maritime and Port Authority of Singapore and the Singapore Maritime Foundation. He serves as a member of the Workplace Safety and Health Council and is the Chairman of its Work at Height Safety Taskforce and Deputy Chairman of its Marine Industries Committee. Besides serving as a member of the

Industry Advisory Panel of the School of Mechanical and Aerospace Engineering at Nanyang Technological University, he also chairs the Marine and Offshore Technology Advisory Committee and co-chairs the Advisory Committee of the Centre of Innovation, Marine and Offshore Technology at Ngee Ann Polytechnic.

Mr Wong holds a Bachelor of Mechanical Engineering (Marine). He also obtained a Master in Business Administration from Oklahoma City University, USA.

#### 3. Mr Ajaib Haridass

#### Non-Executive/Independent Director

Appointed 31 October 2003

Chairman, Board Risk Committee and Nominating Committee

Mr Haridass is an independent director. He heads the Board's Risk Committee and Nominating Committee and serves as a member of the Special Committee, Executive Committee and Executive Resource & Compensation Committee.

Graduated from the University of London in 1974 with a Bachelor of Law (Honours) degree, Mr Haridass was called to the English Bar at the Middle Temple in 1975 and admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1976.

He is a consultant with Haridass Ho & Partners, a legal firm he set up in 1985. With more than 36 years of legal experience, Mr Haridass specialises in all admiralty matters, both litigious and non-litigious, from ship sale and purchase, the financing aspects of such transactions, to marine insurance and general commercial and banking litigation.

Mr Haridass is a member of Panel of Principal Mediators of Singapore Mediation Centre, a member of the SIAC Panel of Arbitrators, a panel member of the Singapore Chamber of Maritime Arbitration and a panel member of Maritime Arbitrators of the Kuala Lumpur Regional Centre for Arbitration.

He is a panel member for Disciplinary Inquiry at the Public Service Commission. He is also a member of the Board of Visiting Justices and Board of Inspection (Prisons Department) and a member of the Review Board and Board of Visitors (Children and Young Persons Homes), Ministry of Social and Family Development. In addition, he is also the Vice Chairman of the Home Detention Advisory Committee 3, Ministry of Home Affairs, Singapore.

He is a Magistrate of the Subordinate Courts, a Referee of the Small Claims Tribunal and Mediator at Criminal Relational Disputes, Subordinate Courts, a Commissioner for Oaths, Notary Public and a Justice of the Peace.



#### board of directors

#### 4. Mr Tang Kin Fei

#### Non-Executive/Non-Independent Director

Appointed 1 May 2005

Mr Tang is a non-independent director and serves as a member on the Board's Executive Resource & Compensation, Nominating, Risk, Special and Executive Committees.

He is the Group President & CEO of Sembcorp Industries. With 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr Tang is Vice Chairman of the Singapore Business Federation and serves on several China-Singapore, Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is the Council Chairman of Ngee Ann Polytechnic, a council member of the Singapore Chinese Chamber of Commerce & Industry, as well as Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and completed the Advanced Management Programme at INSEAD.

#### 5. Mr Lim Ah Doo

#### Non-Executive/Independent Director

Appointed 7 November 2008 Chairman, Audit Committee

Mr Lim is an independent director and heads the Board's Audit Committee. He brings with him vast experience and wide knowledge as a former senior banker and corporate executive. He is currently an independent director of ARA-CWT Trust Management (Cache), GP Industries, SM Investments Corporation, U Mobile Sdn Bhd and Sateri Holdings Limited. He also chairs the audit committees of ARA-CWT Trust Management (Cache) and GP Industries. He is also Member, Ethics Sub-Committee, Public Accountants Oversight Committee, Singapore.

During his 18-year distinguished banking career in Morgan Grenfell, he held several key positions including chairing Morgan Grenfell (Asia). He also chaired the Singapore Investment Banking Association in 1994. From 2003 to 2008, he was President and then Vice Chairman of the RGM group, a leading global resource-based group. He was also formerly an independent director and Exco member of EDB Investments, an independent Commissioner and Chairman of the Audit Committee of PT Indosat, Indonesia, a council member of Singapore-Shandong Business Council and Singapore-Jiangsu Co-operation Council, served as Chairman of EDBV Management and an independent director and Chairman of the Audit Committee of PST Management.

Mr Lim holds an honours degree in Engineering from the Queen Mary College, University of London in 1971, and a Master in Business Administration from the Cranfield School of Management in 1976.

#### 6. Mr Ron Foo Siang Guan

#### Non-Executive/Independent Director

Appointed 30 June 2006 Chairman, Special Committee

Mr Foo is an independent director who heads the Board's Special Committee and serves as a member in the Risk Committee and the Audit Committee.

He brings with him more than 36 years of extensive auditing, accounting and financial experience in Singapore and overseas. Mr Foo was a partner of PricewaterhouseCoopers, Singapore for 22 years before retiring from active service in December 2005. Mr Foo is presently a director of SIA Engineering Company.

Mr Foo has also been actively involved as a council member in the Institute of Certified Public Accountants of Singapore (ICPAS) and was awarded the ICPAS Gold Medal 2004 in recognition of his outstanding contributions and distinguished service to the accounting profession and the community. Presently, he is a member of the Canadian Institute of Chartered Accountants, Canada and a Fellow of the Institute of Certified Public Accountants of Singapore.

#### 7. Mr Koh Chiap Khiong

#### Non-Executive/Non-Independent Director

Appointed 6 May 2011

Mr Koh is a non-independent director and serves as a member of the Board's Special Committee. He is currently the Group Chief Financial Officer (CFO) of Sembcorp Industries. He is responsible for the corporate finance & treasury, reporting, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. He also handles investor relations matters as Group CFO and is a director on the boards of various Sembcorp companies.

Mr Koh brings with him extensive expertise in areas of financial reporting, tax, corporate finance, mergers and acquisitions, treasury, risk management and audit. He has more than 20 years of experience in diverse areas and in managing infrastructure businesses, with a strong knowledge of the energy and water sectors. He rejoined Sembcorp in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp and served as the Utilities business' Head of Finance and Chief Risk Officer.

Mr Koh holds a First Class Honours in Accountancy from the National University of Singapore.

#### 8. Tan Sri Mohd Hassan Marican

#### Non-Executive/Independent Director

Appointed 1 October 2011

Tan Sri Mohd Hassan Marican is an independent director and serves as a member on the Board's Audit Committee.

Tan Sri Mohd Hassan Marican was the President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010 and brings to the board over 30 years' experience in finance and management. He is the Chairman of Singapore Power and serves as a director of the Regional Economic Development Authority of Sarawak, Sarawak Energy, Sembcorp Industries, Lambert Energy Advisory, MH Marican Advisory and ConocoPhillips. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings.

Tan Sri Mohd Hassan Marican holds an Honorary Doctorate from the University of Malaya and is a Fellow of the Institute of Chartered Accountants in England and Wales. His past directorships from 2010 to 2012 include Malaysia International Shipping Corporation, Engen Ltd, PETRONAS, Malaysia-Thailand Joint Authority, Bank Negara Malaysia and International Centre for Leadership in Finance.

# senior management



#### Mr Wong Weng Sun

- President & CEO, Sembcorp Marine
- Managing Director, Jurong Shipyard
- Bachelor of Mechanical Engineering (Marine), Universiti Teknologi Malaysia (Malaysia)
- Master of Business Administration, Oklahoma City University (USA)



#### **Mr Ong Poh Kwee**

- Deputy President, Sembcorp Marine
- Managing Director, Sembawang Shipyard
- Bachelor of Marine Engineering, University of Newcastle-Upon-Tyne (UK)
- Master of Business Administration, Sloan School of Management, Massachusetts Institute of Technology (USA)

#### **SHIPYARDS** (Strategic Business Units)



#### **Mr Wang Zijian**

- Executive Director, Jurong Shipyard
- Bachelor of Engineering, Naval Architecture and Ocean Engineering, Shanghai Jiao Tong University (PRC)



#### Mr Lee Yeok Hoon

- Executive Director, New Yard Development & Ship Repair Business, Jurong Shipyard
- Diploma in Mechanical Engineering, Singapore Polytechnic



#### Ms Wong Lee Lin

- Executive Director, Sembawang Shipyard
- Bachelor of Arts,
   Bachelor of Social
   Sciences (Honours),
   National University of Singapore



#### Mr Ho Nee Sin

- Managing Director, SMOE
- Bachelor of Science, Engineering, National Taiwan University (Taiwan)
- Master of Science, Imperial College, University of London (UK)



Mr Douglas Tan Ah Hwa

- Managing Director, PPL Shipyard
- Bachelor of Science, Mechanical, National University of Taiwan (Taiwan)
- Master of Science, Mechanical, Lamar University, Texas (USA)



#### Mr Freddie Woo

- Executive Director, Jurong SML
- Diploma in Mechanical Engineering, Singapore Polytechnic

#### **CORPORATE FUNCTIONS**



**Mr Tan Cheng Tat** 

- Chief Financial Officer
- Bachelor of Accountancy (Honours), National University of Singapore
- Fellow Member, Institute of Certified Public Accountants, Singapore



**Mr Ng Thiam Poh** 

- Chief Risk Officer
- Bachelor of Science, Naval Architecture & Ocean Engineering, 1st Class Honours, University of Glasgow (UK)



Mr Chua San Lye

- Director,
  Group Human Resource
- Bachelor of Business
   Administration, National
   University of Singapore
- Master of Business
   Administration, University of Leicester (UK)



#### Ms Judy Han

- Senior Vice President, Investor Relations & Communications
- Bachelor of Arts, Bachelor of Social Sciences (Honours) in Economics, National University of Singapore



Mr Wee Keng Hwee

- Senior Vice President, Corporate Development
- Bachelor of Engineering, Yokohama National University (Japan)
- Master of Science, National University of Singapore



Ms Chionh Keat Yee

- Senior Vice President, Group Performance Management & Group Mergers & Acquisitions
- Fellow Member, Association of Chartered Certified Accountants (UK)
- Member, Institute of Certified Public Accountants, Singapore



Mr Tan Heng Jack

- Senior Vice President, Internal Audit
- Bachelor of Accountancy, Nanyang Technological University
- Fellow Member, Institute of Certified Public Accountants, Singapore



Ms Tan Yah Sze

- Senior Vice President, Legal & Joint Company Secretary
- Bachelor of Law, National University of Singapore



**Ms Kwong Sook May** 

- Joint Company Secretary
- Chartered Secretary, ACIS
- Member, Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA)



**Mr Chia Chee Hing** 

- Senior Vice President, Management Information Systems
- Bachelor of Arts & Sociology, National University of Singapore



Ms Jessie Lau

- Vice President, Administration
- Bachelor of Science (Business Administration), Oklahoma City University (USA)

governance and transparency

# corporate governance

Sembcorp Marine Group ("SCM") is committed to meeting high standards of corporate governance. SCM's corporate governance principles reflect strong belief in protecting and enhancing shareholder value in a sustainable way. The Group firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls, are the cornerstones that will enable it to preserve long-term value and returns for its shareholders.

Although the revised Code of Corporate Governance 2012 (the "Code") will only take effect in respect of Sembcorp Marine's Annual Report relating to its financial year commencing 1 January 2013, the Group is already generally in compliance with key revised guidelines, including those relating to enhanced remuneration disclosures, board risk committee, internal controls and poll voting at shareholders' meetings. This report describes Sembcorp Marine's corporate governance practices with specific reference to the principles and guidelines of the Code. Deviations from the Code, if any, are explained under the respective sections of this report.



Board of Directors and senior management in attendance at the Annual General Meeting

# Board of Directors Effective Board to Lead and Effect Controls

#### (Principle 1)

The Board's responsibility is to oversee the business, affairs and performance of the Sembcorp Marine Group in the best interests of its shareholders. The Board focuses its activities on the Group's key requirements such as:

- Providing entrepreneurial leadership and directions for the Group
- Ensuring prudent and effective controls
- Setting values and standards to ensure obligations to shareholders and stakeholders are met
- Reviewing performance of management
- Overseeing the proper conduct of the Group's business
- Considering sustainability issues

The Board meets on a quarterly basis and as and when necessary to decide on issues arising. A director who is unable to attend the meeting in person may participate via teleconference. The attendance of the directors at meetings of the Board and Board Committees, and the frequency of such meetings, is disclosed on the following page.

#### **Attendance at Board and Committee Meetings**

Name of Director	Board	Meetings	Audit (	Committee igs	Board F Meetin	Risk Committee gs	Executi Meetin		Nomina Commi	ating ttee Meetings	& Comp	ve Resource pensation ttee Meetings	Specia Meetir	Committee ags
	No. o Held#	of Meetings Attendance	No. o Held#	f Meetings Attendance	No. Held#	of Meetings Attendance	No. Held#	of Meetings Attendance	No. Held#	of Meetings Attendance	No. Held#	of Meetings Attendance	No. ( Held#	of Meetings Attendance
Goh Geok Ling	8	8	-	-	-	-	3	3	2	2	3	3	-	-
Richard Hale <sup>1</sup> , OBE	1	1	1	1	1	1	-	-	-	-	-	-	-	-
Ajaib Haridass	8	8	-	-	4	4	3	3	2	2	3	3	1	1
Tang Kin Fei	8	8	-	-	4	4	3	3	2	2	3	3	1	1
Ron Foo Siang Guan	8	8	5	5	4	3	-	-	-	-	-	-	1	1
Lim Ah Doo	8	8	5	5	-	-	-	-	-	-	-	-	-	-
Wong Weng Sun	8	8	-	-	-	-	3	3	-	-	-	-	-	-
Koh Chiap Khiong	8	7	-	-	-	-	-	-	-	-	-	-	1	1
Tan Sri Mohd Hassan Marican <sup>2</sup>	8	6	4	3	-	-	-	-	-	-	-	-	-	-

- # The number of meetings held during the period the director was a member of the Board, or when he was a member of a committee.
- 1 Mr Richard Hale retired as Director on 20 April 2012. Mr Hale also stepped down as a member of Audit Committee and as a member of Board Risk Committee.
- 2 Tan Sri Mohd Hassan Marican was appointed a member of Audit Committee on 1 May 2012.

To ensure efficient discharge of its responsibilities and to provide independent oversight of the management, the Board has established a number of Board Committees, including the Audit Committee, Executive Resource & Compensation Committee, Nominating Committee, Board Risk Committee and Executive Committee. These Committees comprise mostly independent and/or non-executive directors. Other ad-hoc committees can be formed from time to time to look into specific areas when the need arises such as the Special Committee established in 2007.

Membership in the different committees is carefully managed to ensure that there is equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experiences and appropriate skills are also considered. The Board has decided that the maximum number of listed companies' board representations that the directors may hold should be no more than six

In addition, the Board has adopted a set of internal controls which sets out approval limits for transactions, procurement of goods and services, capital expenditure, investments and divestments, bank borrowings and management of foreign exchange. Approval sub-limits are also provided at management levels to facilitate operational efficiency.

## Strong and Independent Board Exercising Objective Judgment

(Principle 2)

Chaired by Mr Goh Geok Ling, the Board comprises eight directors, out of which seven are non-executive directors and five are independent directors. Mr Wong Weng Sun, who was appointed the President & CEO and Director of Sembcorp Marine on 1 May 2009, is the only executive director.

An independent director is defined under the Code to mean one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. The Board determines, taking into account the views of the Nominating Committee ("NC"), whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

#### corporate governance

As the majority of the Board consists of non-executive directors who are considered to be independent of management and independent in terms of character and judgment, objectivity on issues deliberated is assured, and management is able to benefit from an external perspective on issues that are brought before the Board. Best efforts are made to ensure that, in addition to contributing their valuable experience and insight to Board deliberations, each independent director brings to the Board an objective perspective to enable balanced and well considered decisions to be made.

To facilitate a more effective check on management, the non-executive directors have also met without the presence of management to discuss the performance of management.

After taking into account the views of the NC, the Board considers Mr Goh Geok Ling, Mr Ajaib Haridass, Mr Ron Foo Siang Guan, Mr Lim Ah Doo and Tan Sri Mohd Hassan Marican, to be independent directors.

Mr Goh Geok Ling and Tan Sri Mohd Hassan Marican are non-executive independent directors of Sembcorp Industries Ltd ("SCI"), the parent company of SCM. However, SCI provides utilities and consultancy services to SCM. The aggregate amount paid by the Group to SCI for such services for each of FY2011 and FY2012 exceeded \$\$200,000.

Mr Ajaib Haridass was, until 2011, a partner of, and is currently a consultant to, Haridass Ho & Partners ("HHP"), a law firm which provides legal services to the Group. The aggregate amount paid by the Group to HHP for such services exceeded \$\$200,000 in FY2011 but not in FY2012. The legal services were provided by partners of HHP, other than Mr Haridass, in the ordinary course of business.

Notwithstanding the above, the Board considers each of Mr Goh Geok Ling, Tan Sri Mohd Hassan Marican and

#### **Board Members for 2012**

Directors	Position held on the Board	Date of first appointment to the Board	Date of last re-election/ re-appointment as director	Nature of appointment
Goh Geok Ling	Chairman	14 February 2006	20 April 2012	Non-Executive/ Independent
Richard Hale <sup>1</sup> , OBE	Deputy Chairman	22 April 2008	Not Applicable	Non-Executive/ Independent
Wong Weng Sun	Director/President & CEO	1 May 2009	20 April 2012	Executive/ Non-Independent
Ajaib Haridass	Director	31 October 2003	20 April 2011	Non-Executive/ Independent
Tang Kin Fei	Director	1 May 2005	20 April 2011	Non-Executive/ Non-Independent
Ron Foo Siang Guan	Director	30 June 2006	20 April 2010	Non-Executive/ Independent
Lim Ah Doo	Director	7 November 2008	20 April 2012	Non-Executive/ Independent
Koh Chiap Khiong	Director	6 May 2011	20 April 2012	Non-Executive/ Non-Independent
Tan Sri Mohd Hassan Marican	Director	1 October 2011	20 April 2012	Non-Executive/ Independent

<sup>1.</sup> Mr Richard Hale, OBE retired as Director on 20 April 2012.

Mr Ajaib Haridass to be independent due to their manifest ability to exercise strong independent judgment in their deliberations and act in the best interests of the Company. The nature and scope of the business relationships described above are not significant in the context of the Group's earnings or operations, and therefore do not undermine the independence of each of these directors.

In addition, in relation to Mr Haridass, who has served as an independent director on the Board for more than nine years since his initial appointment in October 2003, the Board has made his independence status subject to a particularly rigorous review. The Board's view is that Mr Haridass continues to demonstrate his ability to exercise strong independent judgment in his deliberations and act in the best interests of the Company, and that his length of service on the Board has not affected his independence from management. Mr Haridass continues to express

his individual views, debate issues, and objectively and actively scrutinize and challenge management. Further, having gained great in-depth understanding of the business and operating environment of the Group, he provides the Company with much needed experience and knowledge of the industry. After taking into account all these factors, and also having weighed the need for Board refreshment against tenure for relative benefit, the Board has determined that Mr Haridass continues to be considered an independent director, notwithstanding his service on the Board has been more than nine years.

The Directors consider that the Board is of an adequate size, with the right mix of skills and experience given the size of Sembcorp Marine. Board members comprise business leaders, current or retired CEOs, bankers, professionals with financial backgrounds and a practicing lawyer. Profiles of the Board's Directors are found on pages 20 to 23 of this Annual Report.

#### **Board Committees**

In the year of review, Sembcorp Marine has six Board Committees:

- Audit Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Board Risk Committee
- Executive Committee
- Special Committee

Each Board Committee has defined Terms of Reference describing its authority and function and the Terms of Reference are reviewed periodically.

### **The Audit Committee**

#### (Principle 12)

The Audit Committee ("AC") comprises three independent non-executive directors: Mr Lim Ah Doo, as AC Chairman; Mr Ron Foo Siang Guan and Tan Sri Mohd Hassan Marican, as members.

The Board is of the view that the members have sufficient financial management, expertise and experience to discharge their responsibilities in the AC, given their experience as senior executives in the accounting and financial fields. The AC is also regularly briefed by the external auditors and management on the changes to the accounting standards and issues which have direct impact on financial statements.

The main responsibility of the AC is to review the Group's general policies and control procedures relating to financial statements and reporting, internal control systems, interested person transactions as well as any matters or issues that affect the performance of the Group. These reviews are done with the external auditors, internal auditors and the management. The AC reviews the quarterly, half-yearly and annual results announcements in addition to the financial statements at Group and Company levels before they are submitted to the Board

#### **Board Composition and Committees**

Board Members	Audit Committee	Executive Resource & Compensation Committee	Nominating Committee	Board Risk Committee	Special Committee	Executive Committee
Goh Geok Ling		Chairman	Member			Chairman
Richard Hale <sup>1</sup> , OBE	Member			Member		
Wong Weng Sun						Member
Ajaib Haridass		Member	Chairman	Chairman	Member	Member
Tang Kin Fei		Member	Member	Member	Member	Member
Ron Foo Siang Guan	Member			Member	Chairman	
Lim Ah Doo	Chairman					
Koh Chiap Khiong					Member	
Tan Sri Mohd Hassan Marican²	Member					

- 1 Stepped down as a Member of Audit Committee and Board Risk Committee upon his retirement as Director with effect from 20 April 2012.
- 2 Appointed as a Member of Audit Committee on 1 May 2012.

for approval. The AC also recommends the appointment of external auditors.

In its role, the AC assists the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group, and in respect of interested person transactions. Its responsibility is to act in the interest of the shareholders as a whole. The AC meets with the external and internal auditors, without the presence of the management, at least once a year to review the cooperation and assistance given by the management to its members.

The AC reviews and reports to the Board annually the adequacy and effectiveness of the Company's internal controls with the assistance of the internal auditors and the external auditors.

The AC Chairman reports to the Board on AC's proceedings and on all significant matters relevant to the AC's duties and responsibilities.

The AC has reviewed the non-audit services provided by its external auditors to the Group, and is satisfied that although the provision of non-audit services by the external auditors were higher in FY2012, that did not impair their independence as external auditors. A breakdown of the fees for audit and non-audit services paid to the auditors for the financial year 2012 are found on page 176 of this Annual Report.

# The Executive Resource & Compensation Committee

The Company's Executive Resource & Compensation Committee ("ERCC") comprises Mr Goh Geok Ling, as ERCC Chairman; Mr Tang Kin Fei and Mr Ajaib Haridass, as members. They are all non-executive directors and two of them are independent directors.

#### corporate governance

The primary purpose of the ERCC is to support and advise the Company on remuneration matters and leadership development by:

- Overseeing development of leadership and management talent
- Ensuring that the Group has appropriate remuneration policies
- Designing compensation packages with focus on long-term shareholders' returns

It also establishes guidelines on share plans and other long-term incentive plans and approves the grant of incentives to key executives. The underlying philosophy is to motivate executives to maximise operating and financial performance and shareholders' value.

In addition, the ERCC also reviews the remuneration of non-executive directors, executive director and senior executives, as well as major human resource management and compensation policies and practices for the rest of the Group.

On an annual basis, a comprehensive talent management programme and the succession plans were presented to the ERCC for review. The ERCC reviews the succession plans for key and critical positions to align the business goals and its human capital needs. This enables the Company to identify the talent pool and allow focus and devotion of time and resources to leverage the full value and potential of identified successors.

The ERCC currently involves and consults with human resources and compensation consultants, Carrots Consulting Pte Ltd, to ensure inclusiveness in its deliberations and decisions and to keep in line with pay and employment conditions within the industry and in comparable companies. There is no relationship between Carrots Consulting Pte Ltd and the Company.

For FY2012, the ERCC reviewed and approved remuneration and promotion of key executives and decided on issues pertaining to their development and succession. The FY2012 remuneration framework and packages for key executives were presented to the

Board. From FY2013, decisions on remunerations of key executives will be recommended by ERCC to the Board in accordance with the Code.

The President & CEO is not present during the discussions relating to his own compensation, terms and conditions of service, and the review of his performance.

No ERCC member or any director is involved in deliberations on any remuneration, compensation, options or any form of benefits to be granted to himself. Hence, the Board believes the ability of the ERCC to exercise considered judgment in its deliberations and act in the best interest of the Company.

ERCC also reviews the terms of the contracts of service of key management personnel to ensure that the terms are fair and reasonable, and that termination clauses are not overly generous.

## **Nominating Committee**

The Company's NC comprises Mr Ajaib Haridass, as NC Chairman; Mr Goh Geok Ling and Mr Tang Kin Fei, as members. All the NC members are non-executive, and two directors, including NC Chairman, are independent.

The primary purpose of NC is to support and assist the Board in the selection, appointment, and re-election of directors to ensure that the Board comprises directors with a balance of skills, attributes, knowledge and experience. The NC assesses and recommends candidates for their skills, knowledge and experience required by the Board. Appointments and re-appointments of directors to the Board are made on merit and against objective criteria.

The NC ensures that appointees have enough time available to devote to their directorship roles, and recommends to the Board a maximum number of listed companies board representation which any director might hold. The independence of each director is reviewed annually by the NC and recommended to the Board.

### **Board Risk Committee**

The Board Risk Committee ("BRC") was formed in April 2005 with written terms of reference, stating clearly its mandate to oversee the Group's risk management system, framework and policies.

The Company's BRC consists of three members and is chaired by Mr Ajaib Haridass. The other two members are Mr Tang Kin Fei and Mr Ron Foo Siang Guan.

The BRC's main responsibility is to assist the Board of Directors to review the adequacy and effectiveness of the Group's risk management system and framework; strategies, plans, policies and guidelines; procedures and processes; and the Group's top risk profile and mitigating measures for the key risks identified.

## **Special Committee**

The Special Committee ("SC") was formed on 22 October 2007 in response to the discovery of the unauthorised foreign exchange transactions ("Unauthorised Transactions") undertaken by the former Director, Group Finance of Sembcorp Marine. Its primary role was to assist the Board in the investigations and to deal with issues and legal proceedings arising out of these Unauthorised Transactions.

The SC comprises four members: Mr Ron Foo Siang Guan, as SC Chairman; Mr Ajaib Haridass, Mr Tang Kin Fei and Mr Koh Chiap Khiong, as members.

#### **Executive Committee**

The Executive Committee ("EXCO") was formed on 7 May 2008 to assist the Board in reviewing and approving matters as required under the policies of the Company, and evaluate business opportunities for the Group.

The EXCO comprises four members: Mr Goh Geok Ling, as EXCO Chairman; Mr Wong Weng Sun, Mr Ajaib Haridass and Mr Tang Kin Fei, as members.

# **Chairman and Chief Executive Officer**

#### (Principle 3)

There is a clear separation of the roles and responsibilities between the Chairman and the President & CEO. The President & CEO is not related to the Chairman.

The Chairman, who is an independent director, takes a leading role in Sembcorp Marine Group's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, the company secretaries and the management.

He is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He sets the agenda and ensures adequate and timely information is provided to Directors and sufficient time is available for discussions of important issues, and promotes a culture of openness and debate at the Board. The Chairman facilitates the contribution of non-executive directors in particular, and ensures constructive relations between the Board and management, and also promotes high standards of governance.

Meanwhile, the President & CEO's primary role is to manage the operations of the Group in accordance with the Group's strategies and policies, implement the Board's decisions and provide close oversight, guidance, advice and leadership to senior management.

# Formal Appointment and Re-Appointment of Directors

#### (Principle 4)

The Board does not believe it is possible to compile a list of criteria which are appropriate to characterise, in all circumstances, whether a non-executive director is

independent. It is the approach and attitude of each non-executive director which is important. The Board aims for diversity of knowledge and experience among its members in relation to the various businesses of the Group and the international nature of the Group.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's businesses and that each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Sembcorp Marine believes that all directors should retire and offer themselves for re-election at regular intervals, subject to continued satisfactory performance. The President & CEO, while also a board member, is also required to retire and offer himself for re-election. As nomination and re-appointment of board members is the prerogative and proper right of all shareholders, this ensures planned and progressive renewal of the Board.

The Company's Articles of Association requires one-third of directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM"). In other words, no director stays in office for more than three years without being re-elected by shareholders. At the forthcoming AGM, Mr Ron Foo Siang Guan, Mr Tang Kin Fei and Mr Ajaib Haridass will retire by rotation pursuant to the one-third rotation rule.

In addition, any newly-appointed director will submit himself for retirement and election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

Further, pursuant to the Companies Act, directors who are over the age of 70 would vacate their offices at the conclusion of every AGM, and be subject to re-appointment. Mr Goh Geok Ling will vacate his office pursuant to Section 153 of the Companies Act. Mr Goh has offered himself for re-appointment.

# **Board Performance and Conduct of its Affairs**

#### (Principle 5)

Sembcorp Marine Group believes that active participation and valuable contributions are essential to the overall effectiveness of the Board. A formal letter of appointment is sent to newly-appointed directors upon their appointment explaining their duties and obligations as directors. The newly-appointed director also receives an information pack which contains the Group's organisation structure, senior management's contact details, the Company's Annual Reports, Memorandum & Articles of Association, Group Policies, and a list of recent significant issues discussed at board meetings.

A comprehensive orientation programme is provided to newly-appointed directors, where briefings are given by the management on the Group's business activities, the financial performance of the Group and its subsidiaries and the Group's governance policies and practices. Facility visits to the premises are also arranged to enable them to acquire an understanding of the Group, its business activities and its strategic directions. Existing directors are also invited to such facility visits and orientation programmes.

Changes to regulations and accounting standards are monitored closely by the management. To keep pace with regulatory changes, which have an important bearing on the Group's or directors' disclosure obligations, the Directors are briefed during Board meetings or at specially-convened sessions, including training sessions and seminars conducted by external professionals. The Group also invites and sponsors its Directors to training sessions, courses and seminars offered by external consultants, and institutions including the Singapore Institute of Directors.

Reviews of the Board composition and performance are undertaken on a continual basis by the NC with inputs from the other Board members and the President & CEO

#### corporate governance

to ensure strong, independent and sound leadership for the continued success of the Group's business. In addition, to enhance Sembcorp Marine's corporate governance practice, a yearly exercise was introduced to obtain feedback from each director on the effectiveness of the Board as a whole. Directors are required to complete a questionnaire which includes factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability as well as Board and Committee performance, and the performance of individual directors. Feedback from the Directors would be collated, discussed and used to highlight areas of strengths and weaknesses for future development of the Board and its Committees as well as to further improve performance.

# Full Access to Information and Resources

(Principle 6)

Directors at Sembcorp Marine have access to complete, adequate and timely information and resources. As a general rule, board papers are sent to directors at least three days before a board meeting so that they have the relevant information for consideration and deliberation at the meeting. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meetings.

The management further provides monthly management reports and other financial statements to the Board on business issues that require the Board's decision in addition to ongoing reports relating to the Group's operational and financial performance. Where a physical board meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing. Alternatively, the management will arrange to meet and brief each

director personally before seeking the Board's approval. Management also provides from time to time or as requested information and explanations on operations and business issues.

The Board has separate and independent access to the President & CEO, members of senior management and the Company Secretaries at all times. Where necessary, independent professional advice and consultations will be made available to directors to ensure that full information and advice are available before important decisions are made by the Board. All important issues are actively debated by the Board and properly recorded.

The Company Secretaries assist the Chairman by preparing meeting agenda, attending meetings, preparing minutes of board proceedings and ensuring good information flows within the Board and its Committees. They assist the Board on compliance with the Company's Memorandum and Articles of Association, laws and regulations, including requirements of the Companies Act, Securities and Futures Act, the SGX-ST, the Accounting and Corporate Regulatory Authority, shareholders and stakeholders. The Company Secretaries assist the Board to upkeep and implement good corporate governance and best practices across the Group.

# **Level and Mix of Remuneration**

(Principle 8)

Competitive Board Remuneration

Sembcorp Marine believes that the remuneration of its directors is adequate and competitive, in line with market norms.

The President & CEO, as executive director, does not receive any director's fees. As a lead member of the management, he draws a compensation consisting of a salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets

(details are available on page 211 of the Annual Report). Details on the share-based incentives and its fair value are available on pages 180 to 185 of the Annual Report.

Non-executive directors have remuneration packages that are based on the Sembcorp Marine's Directors' Fee Policy and divided into a cash-based component and a share-based incentives component under the Sembcorp Marine Restricted Share Plan 2010. Sembcorp Marine does not have a retirement plan for non-executive directors. The Directors' Fee Policy is based on a scale of fees divided into basic retainer fees and fees for attendance as set out in the table on page 33.

At the forthcoming annual general meeting to be held on 19 April 2013, the Board will be proposing that the remuneration of the non-executive directors be made partly in cash and partly in shares. To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees, if approved at the forthcoming annual general meeting, will be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. As these are shares awarded in lieu of directors' compensation in cash, the awards will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM.

The Directors' fee for 2012 is \$\$1,365,248 which is derived from the following guidelines:

Type of appointment	Remuneration S\$
(i) Board of Directors - Basic Fee - Chairman's allowance - Deputy Chairman's allowance	65,000 70,000 40,000
(ii) Audit Committee - Chairman's allowance - Members' allowance	40,000 25,000
(iii) Executive Committee - Chairman's allowance - Members' allowance	40,000 25,000
(iv) Board Risk Committee - Chairman's allowance - Members' allowance	25,000 15,000
(v) Nominating Committee - Chairman's allowance - Members' allowance	25,000 15,000
(vi) Executive Resource & Compensation Committee - Chairman's allowance - Members' allowance	25,000 15,000
(vii) Attendance Fees - Board - Committee - Teleconference (Board Meeting) - Teleconference (Committee Meeting)	5,000 2,800 2,000 1,000
(viii) Travel Allowance for Overseas Directors - < 4 hours (to & fro airplane travel time) - 4 to 15 hours (to & fro airplane travel time)	2,000 5,000
- > 15 hours (to & fro airplane travel time)	10,000

#### Notes

- (1) Mr Wong Weng Sun, as an executive director, does not receive any director's fee.
- (2) Nominees Directors will have their fees paid to their employer company.(3) Attendance fee for Committee meetings applies also to attendance at General
- (4) The chairman and members of the Special Committee have waived their allowances for their appointment to the Special Committee.

The cash component of the Directors' fee will be \$\$955,674 and the share-based component will be \$\$409,574. The detailed breakdown of Directors' remuneration is found on page 211 of the Annual Report.

#### Competitive Reward System for Key Executives

Sembcorp Marine adopts a competitive remuneration and reward system that ensures good performance and retention of required talents and key executives. The Company's remuneration and rewards system is anchored on the performance of the Group, its business units and individual performance.

The incentive compensation plan for key executives is tied to the creation of Economic Value Added ("EVA"), as well as the attainment of individual performance goals. An individual's incentive compensation is linked to the EVA created by Sembcorp Marine Group and its subsidiaries. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances carried forward may be reduced or increased in future, based on the yearly EVA growth of the Group and its subsidiaries.

Key executives are also rewarded based on actual performance relative to pre-agreed performance targets, which include financial and non-financial performance indicators such as EVA, total shareholder return and promoting and maintaining health, safety and environment issues. The Board believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high performing executives in the Group.

The Company ceased to grant new share options since 2007. Instead, employees were awarded restricted shares under the Restricted Share Plan. For further details on the share-based incentives and performance targets, please refer to pages 180 to 185 of this Report.

# Disclosure on Remuneration

#### (Principle 9)

With respect to executive remuneration, the Board has decided not to prepare a separate remuneration report as most of the information is found in the Directors' report. This Annual Report has indicated where the information required to be disclosed can be found.

Key executives include the Managing Directors of Sembawang Shipyard Pte Ltd, SMOE Pte Ltd and PPL Shipyard Pte Ltd, the Executive Director of Jurong SML Pte Ltd and the Chief Financial Officer of Sembcorp Marine.

The detailed breakdown of the key executives' remuneration is found on page 212 of the Annual Report.

## **Accountability**

#### (Principle 10)

In keeping with the spirit of accountability, the Board presents a balanced and understandable assessment of the Company's performance, position and prospects in its timely releases of quarterly and annual financial results. The Company is committed to comply with its statutory reporting requirements to maintain shareholders' confidence and trust in the Company. In line with requirements of SGX-ST, negative assurance statements have been provided by the Board to accompany the Company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading.

# Risk Management and Internal Controls

#### (Principle 11)

The Board delegates its oversight responsibility for internal controls and risk management to the AC and BRC

#### corporate governance

which, in close co-operation and coordination, ensures adequacy and effectiveness of the internal control and risk management systems set out to meet the requirements of Principle 11. This system of internal controls includes the Group's financial, operational, compliance and information technology controls.

The effectiveness of the Group's internal controls is ensured via the Enterprise Risk Management ("ERM") programme, which was established in 2004. The programme is regularly reviewed, updated and improved to ensure that it remains capable of identifying, assessing and managing key risks faced by the Group as it continues to seek sustainable growth in today's uncertain and volatile business environment. For more information on the Group's ERM programme, please refer to pages 36 to 39.

Together with external consultants, the Group established a formal governance assurance framework based on the ERM programme which enables the Board to form an opinion on the adequacy and effectiveness of the Group's internal control and risk management systems.

During the year under review, the Board was assured by the President & CEO and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's internal control and risk management systems are adequate and effective.

The Board, having performed its review, and with the concurrence of AC and BRC, is satisfied that the financial, operational, compliance and information technology controls and risk management systems are adequate and effective as at 31 December 2012 to meet the needs of the Group in the current business environment.

This opinion is based on the ongoing efforts of management to continuously strengthen the internal controls, as well as regular reviews on the internal controls and risk mitigating measures taken by management, work done by the Group Internal Audit and Group Risk Management departments, the statutory audits conducted by the external auditors and the documented governance assurance framework.

Internal controls, because of their inherent limitations, can provide only reasonable and not absolute assurance regarding the achievement of their intended control objectives. In this regard, the Board is satisfied that if significant internal control failings or weaknesses were to arise, necessary actions would be swiftly taken to remedy them

## Whistle-Blowing Policy

The Group has adopted a constructive whistle-blowing culture to detect and deter wrongdoing in preparing and implementing accurate and complete financial policies, reports and materials as well as the internal controls essential to support its financial and accounting systems and operations.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees or any person to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC or any other committees established by the AC for such purposes without fear of reprisal. The AC provides an oversight role in ensuring that the appropriate actions (including independent investigations) are undertaken to address any whistle-blow complaints.

The establishment of the whistle-blowing structure also augments the Group's ability to detect potential fraud, providing another level of comfort and assurance to investors.

# **Independent Internal Audit Function**

(Principle 13)

Sembcorp Marine Head of Internal Audit Department ("IAD") reports functionally to the AC and administratively to the President & CEO. This department plans its internal audit reviews and resource requirements in consultation with, but independent of, the management. Its risk-based

plan is submitted to the AC for approval at the beginning of each year and the AC reviews the internal audit reports quarterly. The internal audit reviews are performed to provide assurance that the internal controls are adequate and effective to meet the Group's requirements.

Staff competency is achieved to ensure that audits are performed effectively. The IAD continues to recruit and employ suitably qualified staff, and training and development opportunities are provided on an ongoing basis. The IAD successfully completed an external Quality Assurance Review in 2012 and conforms with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC has empowered the IAD with access to all functions, personnel and records in the organisation necessary for the performance of its reviews and duties.

## **Shareholder Rights**

(Principle 14)

Sembcorp Marine endeavours to treat all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

The Company provides shareholders with sufficient information of changes in the Company or its businesses which are likely to materially affect the price via its SGX-ST announcements, press releases, circulars to shareholders and other appropriate channels. It also encourages the shareholders to participate and vote at general meetings of the Company.

# **Communication with Shareholders**

(Principle 15)

Sembcorp Marine strives to provide fair and accurate communication with shareholders on its affairs on an ongoing basis through its comprehensive investor relations programme. Sembcorp Marine's shareholders are entitled to regular, timely and comprehensive reports on financial information, material developments as well as an understanding of business directions and prospects.

Sembcorp Marine's Dividend Policy endeavours to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure.

The Company strives to provide shareholders on an annual basis with a consistent and sustainable ordinary dividend with a variable special dividend based on cash position, working capital, capital expenditure plans, acquisition opportunities and market environment.

The Board provides shareholders with an assessment of the Group's performance, position and prospects on a quarterly basis via quarterly announcements of results and timely announcements of significant transactions and developments as required by the SGX-ST. All price-sensitive information on Sembcorp Marine is disseminated to its shareholders via the SGXNET so as to ensure that all shareholders have access to material information at the same time. Financial and other performance information of the Group as a whole as well as by business segments are given at the release of quarterly results. This allows shareholders to gain better insight into the earning drivers within Sembcorp Marine.

During the release of earnings results, the announcement is first released by SGXNET onto the SGX-ST website. The management team then holds a briefing or teleconference for the media and analysts. Materials used at the briefing are made available on SGXNET and on the Group's corporate website at **www.sembcorpmarine.com.sg**. Following any release of earnings or price-sensitive developments, investor relations personnel are available by email or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Apart from the regular meetings, email communication and teleconferences with investors and analysts, the management team also travels regularly to attend overseas road shows and conferences to reach out to foreign and local institutional investors.

## **Conduct of Shareholder Meetings**

(Principle 16)

Sembcorp Marine recognises that good corporate governance requires active participation of shareholders in the decision-making at the general meetings of shareholders and encourages such participation.

Information on meetings of shareholders are made through notices published in the newspaper and reports or circulars sent to all shareholders. All registered shareholders are invited to participate in shareholders' meetings. If they do not wish to attend in person, they can issue instructions to accept, reject or abstain on each individual item on the meeting agenda by giving instructions to their proxy. He or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance

Sembcorp Marine also allows CPF Investors to attend General Meetings as observers. The Chairman, President & CEO, Chairman of the AC as well as other directors will be present together with the Chief Financial Officer, the Company Secretaries and external auditors to answer questions raised by shareholders. Minutes of shareholders' meetings are available on request by registered shareholders. Sembcorp Marine ensures that there are separate resolutions at general meetings on each substantially separate issue and avoids "bundling" separate resolutions.

For greater transparency, the Company has conducted electronic poll voting for all resolutions at the 2012 Annual General Meeting and Extraordinary General Meeting to allow shareholders to have one vote for every share held.

To facilitate attendance of shareholders at the Annual General Meeting and Extraordinary General Meeting, Sembcorp Marine arranged for buses to transport shareholders from convenient MRT stations to its registered office at 29 Tanjong Kling Road. The Group has

always preferred holding the meetings at its registered office to offer shareholders the opportunity to visit the shipyard and acquaint themselves with the shipyard operations besides the opportunity to interact with the Chairman, Board of Directors and senior management of the Group. About 200 shareholders attended the AGM and EGM held on 20 April 2012.

For further details on Sembcorp Marine's communications with its shareholders, see the Investor Relations section of the Annual Report.

### **Dealings in Securities**

Sembcorp Marine has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the Company's securities by its officers during the period commencing one month prior to the announcement of its full year results and two weeks prior to the quarterly results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## **Interested Person Transactions ("IPT")**

Shareholders have adopted an IPT mandate relating to interested person transactions of the Group. The IPT mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the mandate is available on the corporate website at www.sembcorpmarine.com.sg. All business units are required to be familiar with the IPT mandate and report any such transactions to the finance department. The finance department keeps a register of Sembcorp Marine's interested person transactions. Information on interested person transactions for 2012 is found on page 213.

governance and transparency

## risk management

The Sembcorp Marine Group continued to manage the multitude of risks faced in the pursuit of its goals through a sound and effective risk management framework. The effective management of these risks was instrumental in the Group's overall performance in the year 2012.

The current enterprise risk management (ERM) framework remains effective and relevant. This framework comprises systems of internal controls and risk management policies, procedures, processes and limits. It also includes the governance structure comprising risk committees which focus on their respective significant risk areas of concern to the Group. In these committees, the directors and management work together to formulate and implement risk management strategies, policies and procedures. These activities are then integrated into the Group's business processes and operations.

### **Risk Governance Structure**

The Board Risk Committee (BRC) assists the Board of Directors to institute risk governance in the Group and set the appropriate tone at the top. This entails overseeing the design, implementation and monitoring of the Group's risk management and internal control systems as well as assessing the adequacy and effectiveness of these systems. With the Board of Directors' approval, the BRC endorses the Group's risk tolerance levels and assessment of its top risks, treatment and execution plans. To this end, the BRC conducts regular reviews and discussions with management staff from the Group's corporate functions and strategic business units at committee meetings, covering strategic, operational, financial and compliance risks, amongst others. A total of four BRC meetings were held in the year, supplemented with other engagements via electronic mail and teleconferencing.



The management is responsible for identifying, managing and reporting the key risks faced by the Group to the BRC. This is achieved through a management committee, namely the Enterprise Risk Management (ERM) Committee.

Chaired by the President & CEO and supported by the Group Chief Risk Officer, this committee comprises the strategic business unit heads, their chief risk officers and management staff who are appointed as champions of key risk areas. The ERM Committee reviews risk issues at both the strategic business unit and Group levels. The areas of review cover risk policy matters, risk profiles and treatment plans as well as other Group risk initiatives.

Supporting the ERM Committee are subcommittees which look after their respective areas such as Health, Safety, Security and Environment, Human Resource, Project Management, Finance, Information Technology, Procurement and Critical Assets, amongst others.

The organisation of the Group's risk governance structure is illustrated on the left.

### Risk Management System

In line with its risk management system, the Group reviews its risk policies, profiles and plans at least once every year. Seminars and talks by external and internal speakers on pertinent and current topics are organised to raise awareness and enhance understanding of the subject matters. These activities, among others, are core components of the Group's annual risk management workplan. Initiatives carried out during the year included:

- A survey for the ERM Committee to obtain feedback from the Committee members to improve the Group ERM efforts and initiatives
- Quarterly internal controls awareness sessions by Group Risk Management and Group Internal Audit to educate employees on the fundamentals of corporate governance, internal controls, risk management and internal audit and to inculcate a sense of accountability, which ultimately strengthens the Group's risk culture
- Formation of two new ERM sub-committees for insurance and information technology to accord greater emphasis and focus on these two areas that are assessed to be critical
- Formation of a formal risk governance and assurance framework with the assistance of external consultants to strengthen the current framework
- A talk by external consultants on the topic of risk governance with a special focus on risk appetite

## **Key Risks and Mitigation Strategies**

The key risks faced by the Group and the mitigation measures are set out in the following sections. They were identified during the Group's annual risk review. Sembcorp Marine's top risk profile was developed during the Group's annual risk review, with due considerations given to the top risk profile of each strategic business unit.

The year in review was marked with catastrophic natural disasters, political upheavals, leadership transitions and the continuing economic malaise in the Eurozone and to a lesser extent, in the United States. These factors helped shape the Group's top risk profile, which will continue to evolve with the ever-changing external environment.

#### External Environment Risks

The significant external environment risks to the Group include volatility in the commodity markets, in particular the oil market; the state of the global economy and trade; the stability of the global financial and banking systems; foreign exchange fluctuations; political risks; regulatory landscape; and natural disasters.

On the governmental regulatory front, transfer pricing which has been previously identified as a key area of focus is now governed by a Group policy and procedure. Transfer pricing documentation has been prepared to defend significant cross-border related party transactions and pricing in the foreign tax jurisdictions that the Group operates in.

Potential risk exposures brought about by changes and developments in the external environment are identified and evaluated for potential impacts to the Group. Recognising that risks of this nature are inherently volatile, unpredictable and usually cannot be completely eliminated, the Group continues to adopt a balanced approach to mitigate such risks to as low as reasonably practicable in commensuration with its risk appetite.

### Strategic Risks

Strategic risk considerations impact the Group's strategies and plans to grow its business in Singapore and internationally. They typically encompass business performance, customers, markets, industry, competition and new business opportunities. These risks are discussed at both the BRC and ERM Committee meetings and are

key inputs and considerations in the annual strategic planning meeting with the Board of Directors to formulate strategies to steer the Group forward.

#### Financial Risks

The Group's international presence and worldwide clientele inevitably exposes it to various counterparty and related risks within the global financial market. Policies and procedures covering key areas – including treasury, foreign exchange, credit, accounting, inter-company transactions and others – have been established and implemented throughout the Group to mitigate the associated risks. These policies also set out approval limits for significant transactions and guidelines to minimise cost of capital, adverse effects of fluctuations in foreign currencies and interest rates on income as well as to ensure that sufficient funds are available to meet financial obligations and operational needs.

Tasked to enhance the Group's financial risk management framework, the Finance Committee, a sub-committee of the ERM Committee, looks into the areas of financial system integrity, regulatory reporting, accounting, risk management and compliance systems, including internal and external audit issues. Chaired by the Group Chief Financial Officer, the committee comprises key finance personnel from the strategic business units and the corporate functions of treasury, tax, internal audit and risk management.

The Group's financial risk management is discussed in detail in Note 37 to the financial statements.

### Project Management Risks

Given the project-centric nature of the Group's business, project management risks account for a significant proportion of its overall risks. The Group's ability to deliver projects safely, timely and within budget, while meeting quality standards, demonstrates the effectiveness of the risk mitigation measures throughout the project management process, from project tendering, contract negotiation, construction to delivery.

### risk management

Project risk management addresses third-party risks such as contractors, suppliers or vendors who fail to fulfil their contractual obligations. This could in turn affect the Group's ability to meet its own contractual obligations to customers on a timely and cost-effective basis, subjecting it to risks of incurring liquidated damages. This is especially so if there are limited substitutes, in particular for specialised equipment. As a mitigation measure, the Group has in place processes like stringent selection criteria when working with third parties, combined with constant monitoring and assessment, allowing for warning signs to be flagged out early.

The year in review saw a significant milestone when Sembcorp Marine secured its first drillship order from Brazil, based on the Group's proprietary Jurong Espadon drillship design. This is also the first project secured by the new Brazilian shipyard, Estaleiro Jurong Aracruz. Since then, the Group went on to secure another six drillships of the same design. This will undoubtedly be a challenging undertaking, by a greenfield yard no less. The Group has an established track record of working in Brazil and the necessary plans have been put in place to address the project execution risks.

The Project Risk Management Committee, another sub-committee of the ERM Committee, is chaired by the President & CEO. This committee provides a platform for the strategic business units to report and discuss their project risk matters, including project schedule, costs, work variations, financial and contractual issues.

### Health, Safety, Security and Environment Risks

Of paramount importance to the Group is to provide a safe and healthy work environment for its customers, employees, contractors and the community. This is championed by the Group Health, Safety, Security and Environment Committee, another sub-committee of the ERM Committee, involving key health, safety, security and

environment personnel from all the yards. This committee sets the direction and ensures the adoption of leading industry practices across the Group. Among other things, it also monitors closely the Group's safety performance and reports regularly to the management and the BRC.

To foster a strong safety culture, the Group has in place a performance appraisal system which includes safety as an integral part of management's key performance indicators. This demonstrates the importance of safety across the Group. The Workplace Safety and Security section of this annual report further illustrates the activities carried out in the year to mitigate risks in this area.

#### Human Resource Risks

The Group believes in the importance of having the right number of people with the requisite qualifications, skills and expertise to support its strategic business plans. In particular for the new yard in Brazil, the human resource plan has been activated to man up the operations in line with the progress of the projects. While actively recruiting and retaining talents to maintain and enhance its competitive edge, the Group also has in place comprehensive human resource policies and procedures for recruitment, compensation and staff development. These activities are driven by the Group Human Resource Committee which also addresses key risk areas including management succession, staff turnover, work-life balance as well as compensation and benefits. Measures have been put in place to address recent changes in the foreign worker guota and increased levies. The Group's human resource activities are discussed in detail in the Nurturing People section of this report.

#### Investment Risks

The Group seeks to grow its business through the acquisition of business entities or operating assets, the development of new capacities and the expansion of its existing capabilities, facilities and activities. Investment

activities, ranging from the identification of targets to the undertaking of due diligence exercises, are supported by a team of experienced managers and augmented by external professionals for specialised services. Business proposals are risk assessed and evaluated by senior management before the approval deliberations by the Board of Directors.

Ongoing investments – such as the New Yard Facility at Tuas View Extension in Singapore, Estaleiro Jurong Aracruz at Espirito Santo in Brazil, Sembmarine Kakinada in India, Sembmarine SLP in the United Kingdom and Ecospec Global Technology, a Singapore company – are continuously monitored and followed up against plans and budgets for smooth execution and implementation. The Group has also acquired a 34.5-hectare site for the second-phase development of the New Yard Facility.

#### Critical Assets Risks

Certain assets are critical to the Group's operations in Singapore and overseas. The Group Critical Assets Committee was formed as a sub-committee of the ERM Committee in 2011. The major categories of assets identified by the committee are power and utilities; material handling equipment; docks and quays; workshops, and launching facilities.

During the year, the committee formulated the Group Critical Assets Management Policy, developed risk profiles and risk mitigation measures for the five categories of assets and shared information and best practices on the operations and maintenance of these assets.

The strategic business units have established policies and procedures for managing their critical assets which cover infrastructure, facilities, machineries and equipment. The performance of such assets is tracked against predetermined indicators like frequency of breakdown, downtime, maintenance and repair costs. Regular monitoring, coupled with a structured maintenance regime, ensures continuity of service.

### **Business Continuity Risks**

Business continuity risks are threats with potentially disastrous impacts to the Group's ability to continue its business operations. To mitigate these risks, the Group has in place a Business Continuity Management (BCM) framework that complements its ERM framework. The BCM framework comprises the Group BCM Policy, a BCM steering committee chaired by the President & CEO, as well as response, escalation and reporting processes which will be activated in times of crises and emergencies. BCM initiatives are featured in the Group's annual ERM Workplan for 2012.

The Group BCM Policy, which is based on the Singapore Standard for BCM (SS540), sets out the methodology to guide the strategic business units in their reviews and updates of their business continuity strategies and plans. Four base disaster scenarios were identified for business continuity planning based on their likelihood and impact, namely: major fire and explosion, prolonged power outages, infectious disease outbreaks and major information technology disruptions or failures. These scenarios were included in the validation of the strategic business units' business continuity plans which started in 2011 and went on through 2012. Following the validation, areas for improvements were identified and carried out.

### Fraud and Corruption Risks

The Group takes a zero tolerance stance against fraud and corruption. Acts of fraud committed by employees or parties that provide dishonest or unfair benefits to themselves or related parties to the detriment of the Group are strictly not tolerated. The perpetrators will face consequences, such as disciplinary warnings and termination of employment or other contractual relationships, and will be reported to the appropriate law enforcement or regulatory body.

Under the Group's ERM and Fraud Risk Management frameworks, its strategic business units conduct fraud risk evaluation as part of their overall risk assessment. In

addition, the ERM sub-committees and Group Internal Audit consider fraud risk, among others, in its review of controls.

Augmenting these frameworks and the Group-wide whistle-blowing structure, Group Risk Management and Group Internal Audit continue to conduct a series of in-house training sessions to educate staff on risk governance and internal controls. In 2012, over 300 employees attended these sessions.

Under the whistle-blowing policy, every reported case will be considered and investigated independently on the basis of its merits. During the year under review, there were two confirmed cases of corruption which were dealt with by the authorities, and the offenders are no longer under the employment of the Group.

## Other Group-wide Risk-based Activities

In addition to these risk mitigation strategies, the Group has other risk management activities in place including Control Self Assessment and insurance programmes.

#### Control Self Assessment

The Group's Control Self Assessment (CSA) programme, which was established in 2008, provides a self-checking mechanism to assess if controls within the Group are well-designed and effectively implemented. Identified control lapses will give rise to corrective actions which are tracked and reported to management till completion.

The programme also seeks to raise awareness among staff on risks and controls, promote ownership and accountability through identifying control owners for respective processes, and support management's assurance to the Board on the adequacy and effectiveness of internal controls.

All strategic business units in the Group have implemented the programme, with appointed CSA managers who work in tandem with Group Risk Management and Group Internal Audit. Updates on the programme are also reported at the BRC and ERM Committee meetings.

During the year, a series of workshops targeted at staff who would be embarking on the programme was conducted jointly by Group Risk Management, Group Internal Audit and current CSA practitioners at the strategic business units.

#### Insurance

The Group uses insurance as a means to transfer risks if practicable and where necessary if it is mandated by legislation like the Work Injury Compensation Act. Where possible, it is also used to protect against foreseeable events with catastrophic financial losses. The Group insures its risks based on an approach that seeks to balance the cost benefits with its risk appetite, risk management capabilities and self-insuring capacity.

To benefit from economies of scale, the Group procures its insurance on an aggregate basis, whenever possible, pooling the needs of its strategic business units to obtain optimal coverage at competitive prices. This is achieved through working closely with insurance brokers who are familiar with its business and operations.

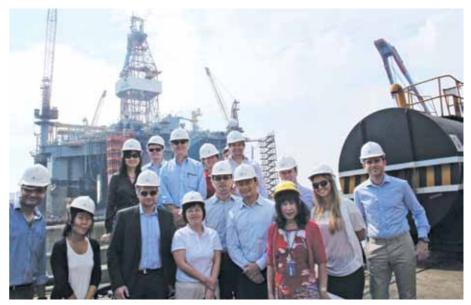
During the year, external consultants were engaged to perform a review of the Group's insurance policies against best practices and a valuation of specified buildings, civil works, plant and equipment to ensure that the insurance coverage is appropriate and adequate. The findings were considered and factored into the insurance plans for 2013 and beyond.

governance and transparency

## investor relations

Committed to high corporate governance and transparency standards, Sembcorp Marine's investor relations practices are based on the key principles of open communication and fair disclosure. In line with the constantly evolving regulatory requirements and best practices, the Group strives to provide investors with an accurate, coherent and balanced account of its strategies, business operations and performance so that they can make informed investment decisions.

Sembcorp Marine also ensures that material and price-sensitive information is disseminated on a timely and non-selective basis. Through multiple platforms including meetings, site visits and other investor relations activities, investors gain up-to-date information and deeper insights into the Group's operations.



A group photo to mark the investment community visit

## **Proactive Engagement** with Investors

Recognising the importance of communicating regularly and effectively with existing and potential institutional investors, financial analysts, media as well as retail shareholders, the Group's management and its investor relations team continued to maintain two-way communication through quarterly results announcements, one-on-one meetings, conference calls, roadshows, post-results meetings and yard tours.

During the year, Sembcorp Marine held about 120 one-on-one and group meetings as well as 20 conference calls with shareholders and potential investors in addition to hosting four post-results briefings. The senior management also undertook 10 non-deal roadshows, investor conferences and Investor Day events in Singapore, Hong Kong, London, Europe and the United States to strengthen shareholder relationships and gain valuable feedback.

In addition, 19 tours to the existing yards and the Integrated Tuas New Yard facility were conducted in 2012. Research reports written by analysts as well as feedback from investor

meetings provided management with insights into the investment community's views on Sembcorp Marine, which were useful for managing market expectations and formulating corporate policies. The valuable feedback and insights from these engagements were highlighted to the Board, which also received regular updates on investors' and analysts' views.

## Retail Shareholder Outreach

Held every April, the Annual General Meeting (AGM) provides a good platform for the Board of Directors and senior management to interact with shareholders. The last AGM held on 20 April 2012 was well-attended by around 200 shareholders and observers, who took the opportunity to clarify or pose questions on issues pertaining to the proposed resolutions before the resolutions were voted on. Also present at the meeting were the Board of Directors and key members of management to address shareholders' queries. The event also saw the Board of Directors and management engaging shareholders to address further concerns and issues.

### **Access to Information**

During the year, Sembcorp Marine continued to communicate with shareholders and provide comprehensive information disclosure in a timely and fair manner. The Group has been announcing quarterly results within 45 days of the close of the previous quarter to provide prompt information to investors.

Combined media and analyst briefings were organised for half-year and full-year results announcements at the company's premises, while conference calls were held for the first- and third-quarter results. During these



Analysts and media at Sembcorp Marine's full-year 2012 results announcement

briefings, the President & CEO together with the Chief Financial Officer and the Senior Vice President of Investor Relations & Communications, reviewed the Group's most recent performance, discussed the business outlook and responded to questions from the participants.

To ensure timely and fair disclosure, the Group discloses all material information, such as quarterly results announcements, award of contracts, significant milestones, investments and acquisitions, via SGXNET and the Group's website in line with Singapore Exchange's regulatory requirements.

As a key source of relevant and comprehensive information to the investment community, the dedicated investor relations section within the corporate website, **www.sembcorpmarine.com.sg**, offers a breadth of information, including an overview of the Group's business, company newsletters and press releases as well as annual reports and stock exchange announcements. Retail investors can also sign up for email alerts on the website to obtain prompt updates on the latest announcements. Queries can be posted via the Group's investor relations email address, ir@sembcorpmarine.com.sg.

## Diversified Shareholder Base

Sembcorp Marine had 29,492 registered shareholders, as at 6 March 2013. The actual number of investors is likely to be more as some shares are held through nominees, investment funds and other share schemes

As at 6 March 2013, Sembcorp Industries remained the largest shareholder with 60.7 per cent of shares. Institutional investors owned about 26.3 per cent of total shareholding and 13.0 per cent were held by retail investors. The shareholder base was well diversified across key cities in the United States, Europe, the United Kingdom, Australia, New Zealand, Japan, Hong Kong, Malaysia and Singapore, mitigating concentration risk and ensuring market liquidity.

### **Share Performance**

Sembcorp Marine is a component of the Straits Times Index, with a market capitalisation of approximately \$9.4 billion based on a closing share price of \$4.49 as at 6 March 2013. Daily turnover averaged 5.97 million shares in 2012 and 6.52 million shares from January 2013 to February 2013.

In 2012, Sembcorp Marine's share price achieved a total return of 30.5 per cent, inclusive of 25 cents dividend paid per share during the year. This compares favourably against the Straits Times Index total return index of 23.4 per cent during the same period.

The graph on page 45 shows the share price and turnover in 2012 and from January 2013 to February 2013.



Sharing the year's performance and outlook with analysts and media.

### **FINANCIAL CALENDAR**

Announcements of Results & Dividends	2013	2012
Full year	February 21	February 23
Quarter 1	May 3*	May 9
Quarter 2	August 1*	August 2
Quarter 3	November 5*	November 5
Final Dividend Payment	May 13	May 11
Delivery of Annual Report and Extraordinary General Meeting Notice	April 3	March 30
Annual General Meeting/Extraordinary Meeting	April 19	April 20

<sup>\*</sup> Updates will be posted at www.sembcorpmarine.com.sg

### **Awards and Accolades**

For the Group's leading investor relations practices and high corporate transparency standards, Sembcorp Marine was again well-recognised by the investment community in 2012. At the Investors' Choice Awards organised by the Securities Investors Association of Singapore in 2011, the Group clinched the Most Transparent Company Award in the oil and gas sector. Sembcorp Marine also emerged the Silver winner in the Best Annual Report Award for firms with market capitalisation of \$1 billion and above. The accolade honours companies with high standards in the disclosure and presentation of annual reports.

Significant awards were garnered by the Group based on FinanceAsia's Best Managed Companies annual poll conducted among investors and analysts across the region. On top of winning the Best Chief Financial Officer Award, Sembcorp Marine was placed third in the Best Corporate Governance category, fifth in the Best Managed Company category and fifth in the Best Investor Relations category.



Strong interest in the Integrated Tuas New Yard developments.



## Statement GRI Application Level Check

GRI hereby states that Sembcorp Marine Ltd has presented its report "50 Years Building A Reputation...

And More." (2013) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 March 2013



Deputy Chief Executive
Global Reporting Initiative



The Global Reporting initistive (GRI) is a network-based organization that has pioneered the development of the world's most widely used subtomobility reporting framework and is committed to its continuous improvement and application worldwride. The GRI Guidelines set our the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance, www.aichalvesortina.org

Dischaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GR1 at the time of the Check on 5-March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

### shareholders' information

### Statistics of Shareholdings as at 6 March 2013

#### **Share Capital**

Issued and Fully Paid Up Capital : \$\$480,086,240.45 Number of Issued Shares : 2,088,526,225

Number of Shareholders : 29,492

Class of Shares and Voting Rights : Ordinary shares with

equal voting rights@

### **List of 20 Largest Registered Shareholders**

No.	Name	No. of Shares	%**
1	Sembcorp Industries Ltd	1,265,370,764	60.68
2	Citibank Noms S'pore Pte Ltd	140,573,359	6.74
3	DBS Nominees Pte Ltd	115,652,844	5.55
4	DBSN Services Pte Ltd	95,456,619	4.58
5	HSBC (Singapore) Noms Pte Ltd	59,713,703	2.86
6	United Overseas Bank Nominees	43,324,564	2.08
7	Raffles Nominees (Pte) Ltd	23,529,074	1.13
8	BNP Paribas Securities Svcs	15,217,209	0.73
9	Tan Kwi Kin	10,293,210	0.49
10	Bank of S'pore Noms Pte Ltd	8,382,282	0.40
11	OCBC Securities Private Ltd	5,475,418	0.26
12	DB Nominees (S) Pte Ltd	4,743,251	0.23
13	OCBC Nominees Singapore	4,673,084	0.22
14	IMC Co., Ltd	4,000,000	0.19
15	Merrill Lynch (S'pore) P L	3,637,583	0.17
16	Phillip Securities Pte Ltd	2,981,350	0.14
17	DBS Vickers Secs (S) Pte Ltd	2,865,100	0.14
18	Wong Weng Sun	2,730,084	0.13
19	UOB Kay Hian Pte Ltd	2,650,800	0.13
20	Oversea Chinese Bank Noms Pte	2,538,116	0.12
	Total	1,813,808,414	86.97

### **Shareholding Held in Hands of Public**

Based on information available to the Company as at 6 March 2013, 37.95% of the issued ordinary shares of the Company (excluding ordinary shares held in treasury) is held in the hands of the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

#### **Substantial Shareholders**

Color de atiel Chemistralians	Number of Shares				
Substantial Shareholders	Direct Interest	% <sup>1</sup>	Deemed Interest	% <sup>1</sup>	
Sembcorp Industries Ltd (SCI)	1,265,370,764	60.68	-	-	
Temasek Holdings (Private) Limited (Temasek)	-	-	1,272,412,120	61.02	

#### **Location of Shareholders**

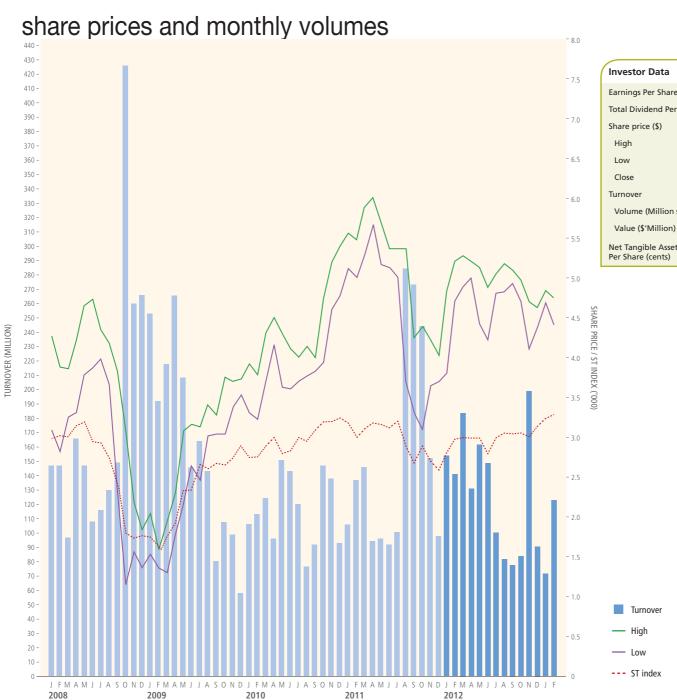
Location of Shareholders	No. of Shareholders	%	No. of Shares	%
Singapore	28,602	96.98	2,072,508,780	99.23
Malaysia	525	1.78	5,233,925	0.25
Hong Kong	40	0.14	427,800	0.02
Japan	7	0.02	5,847,000	0.28
US	33	0.11	235,400	0.01
UK	25	0.08	266,600	0.01
Europe	10	0.03	32,200	0.00
Australia/New Zealand	77	0.26	550,400	0.03
Others	173	0.59	3,424,120	0.16
Total	29,492	100.00	2,088,526,225	100.00

### **Distribution of Shareholdings**

	No. of Shareholders	%	No. of Shares	%
1 – 999	621	2.11	277,286	0.01
1,000 – 10,000	24,132	81.83	90,056,998	4.31
10,001 – 1,000,000	4,707	15.96	166,047,096	7.95
1,000,001 and above	32	0.11	1,832,144,845	87.72
Total	29,492	100.00	2,088,526,225	100.00

#### Notes

- 1 Based on 2,088,526,225 ordinary shares in issue as at 6 March 2013, excluding 3,219,190 ordinary shares held as treasury shares as at that date.
- \*\* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at the LPD on 6 March 2013 excluding 3,219,190 ordinary shares held as treasury shares.
- @ Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.



Investor Data	2008	2009	2010	2011	2012
Earnings Per Share (cents)	20.83	34.02	41.55	36.13	25.80
Total Dividend Per Share (cents)	11.01	15.00	36.00	25.00	13.00
Share price (\$)					
High	4.73	3.72	5.40	6.01	5.28
Low	1.15	1.31	3.23	3.10	3.80
Close	1.68	3.70	5.37	3.82	4.60
Turnover					
Volume (Million share)	2,159	1,939	1,292	1,827	1,558
Value (\$'Million)	6,271	4,697	5,463	8,273	5,671
Net Tangible Assets Per Share (cents)	63.81	90.97	124.80	114.14	116.80

### corporate structure



#### **SINGAPORE SHIPYARDS**

Jurong Shipyard Pte Ltd

100%

Sembawang Shipyard Pte Ltd

100%

SMOE Pte Ltd

100%

PPL Shipyard Pte Ltd

85%

Jurong SML Pte Ltd

100%

### **OVERSEAS SHIPYARDS**

Estaleiro Jurong Aracruz Ltda (Brazil)

100%

PT SMOE Indonesia

(Indonesia)

90%

Cosco Shipyard Group Co Ltd (People's Republic of China)

e 3 republic of erinia,

**30%** 

PT Karimun Sembawang Shipyard (Indonesia)

100%

Sembmarine Kakinada Ltd

40%

Sembcorp-Sabine Industries Inc.

100%

Sembmarine SLP Limited (UK)

**70%** 

### **RESEARCH & DEVELOPMENT**

Sembcorp Marine Technology Pte Ltd

100%

Baker Marine Pte Ltd

85%

Ecospec Global Technology Pte Ltd

20%

### **SUPPORTING COMPANIES**

Jurong do Brasil Prestação de Serviços Ltda

(Brazil) 100%

Jurong Marine Contractors Pte Ltd

100%

Dolphin Shipping Company Pte Ltd

100%

Shanghai Jurong Marine Engineering & Technology Co. Ltd

(People's Republic of China)

70%

Bulk Trade Pte Ltd

100%

JPL Industries Pte Ltd

85.8%

Jurong Marine Services Pte Ltd

100%

Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd (People's Republic of China)

Jurong Offshore Pte Ltd

100%

### corporate directory

### **Registered Office**

SEMBCORP MARINE LTD 29 Tanjong Kling Road, Singapore 628054

Telephone : (65) 6265 1766 Fax : (65) 6265 0201 / (65) 6261 0738

Website: www.sembcorpmarine.com.sg

#### **Board of Directors**

Goh Geok Ling Chairman

Wong Weng Sun

President & CEO

Ajaib Haridass Tang Kin Fei Ron Foo Siang Guan Lim Ah Doo Koh Chiap Khiong

Tan Sri Mohd Hassan Marican

#### **Audit Committee**

Lim Ah Doo Chairman

Ron Foo Siang Guan Tan Sri Mohd Hassan Marican

### **Executive Resource & Compensation Committee**

Goh Geok Ling Chairman

Tang Kin Fei Ajaib Haridass

#### **Nominating Committee**

Ajaib Haridass Chairman

Goh Geok Ling Tang Kin Fei

#### **Board Risk Committee**

Ajaib Haridass Chairman

Tang Kin Fei Ron Foo Siang Guan

### **Special Committee**

Ron Foo Siang Guan
Chairman

Ajaib Haridass Tang Kin Fei Koh Chiap Khiong

#### **Executive Committee**

Goh Geok Ling Chairman

Wong Weng Sun Ajaib Haridass Tang Kin Fei

### **Company Secretaries**

Tan Yah Sze Kwong Sook May

#### Registrar

KCK Corpserve Pte Ltd 333 North Bridge Road #08-00 KH Kea Building Singapore 188721

### **Share Listing**

Sembcorp Marine's shares are listed on the Singapore Exchange Securities Trading Limited

#### **Principal Bankers**

DBS Bank
Oversea-Chinese Banking Corporation
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation
United Overseas Bank

#### **Auditors**

KPMG LLP
Certified Public Accountants
Audit Partner: Tan Wah Yeow
(appointed during the financial year ended
31 December 2008)

## financial review

\$4.4b

Turnover

\$630m

**Profit Before Tax** 

**25.8**cents

Earnings per Share

13cents

Total Dividend per Share

\$1.17

Net Asset Value per Share

\$554m

**Operating Profit** 

\$538m

**Net Profit** 

22%

Return on Equity

\$1.1b

**Net Cash** 

\$384m

**Economic Value Added** 



Vessels berthing at Sembawang Shipyard.

### **Turnover**

Group turnover for Sembcorp Marine increased 12 per cent to \$4.4 billion in 2012 from \$4.0 billion in 2011, mainly attributable to higher revenue recognition for rig building and offshore platform projects.

### **Earnings**

Group operating profit in 2012 of \$554 million was 25 per cent lower as compared with \$737 million due mainly to the lower margin from new design rigs and a resumption of margin recognition on completion and delivery of the Songa Eclipse semi-submersible rig in 2011. Consequently, Group pre-tax profit also saw a decrease of 27 per cent from \$860 million in 2011 to \$630 million in 2012. Overall, net profit in 2012 was \$538 million as compared to \$752 million in 2011. The 28 per cent decline was mainly attributable to lower operating profit from rig building projects.

### **Financial Position**

The Group's total assets of \$5.8 billion in 2012 was 15 per cent higher than that of \$5.1 billion in 2011. The increase in property, plant and equipment was mainly due to capital expenditures for the Integrated Tuas New Yard. Inventories and work-in-progress increased significantly mainly due to payment terms of rig-building projects. These were partially offset by decreases in cash and cash equivalents, which were mainly due to the capital expenditures for the new yard, dividends paid and working capital changes for ongoing projects.

Group total liabilities of \$3.2 billion at 31 December 2012 was 27 per cent higher than the previous year-end. Progress billings in excess of work-in-progress increased significantly mainly due to receipts from customers for rig building projects. The increase in interest-bearing borrowings was mainly due to borrowing for capital expenditures for the Integrated Tuas New Yard.

Total capital employed of \$2.5 billion as at 31 December 2012 comprised shareholders' funds of \$2.4 billion and non-controlling interests of \$109 million. The Group's shareholders' funds in 2012 was slightly higher from \$2.4 billion in 2011 while non-controlling interests increased 18 per cent from \$92 million in 2011.

### **Cash Flow and Liquidity**

The Group's total cash and cash equivalents stood at \$1.4 billion as at 31 December 2012.

Cash flow from operating activities before changes in working capital was \$671 million in 2012. Net cash inflow from operating activities amounted to \$208 million, \$118 million lower than the \$326 million in 2011. This was mainly due to lower operating profit from rig building projects and interest income received, partially offset by lower tax paid.

The Group's net cash outflow from investing activities of \$527 million in 2012 was higher than 2011 by

\$50 million. The Group spent \$517 million on expansion and operational capital expenditure, mainly for the Integrated Tuas New Yard and \$14 million on investment in associate and joint venture.

Net cash outflow from financing activities was \$232 million in 2012; net cash used was mainly for payment of dividends, partially offset by net proceeds from borrowings.

### **Shareholder Returns**

The Group achieved a return on equity of 22 per cent, in line with its efforts to achieve good returns for the shareholders.

Subject to approval by shareholders of Sembcorp Marine at the next Annual General Meeting, the Group is proposing a final one-tier tax-exempt dividend of 8 cents per share comprising a final ordinary dividend of 6 cents and a special dividend of 2 cents per share. Together with the interim one-tier tax-exempt dividend of 5 cents per share, total dividend for the financial year ended 31 December 2012 would be 13 cents per share.

### **Economic Value Added**

The economic value added generated in 2012 amounted to \$384 million, 34 per cent lower than 2011. This was mainly due to a decline in net operating profit after tax (NOPAT) for 2012 from \$782 million in 2011 to \$583 million in 2012

### Value Added

Group's total value added in 2012 was \$1.2 billion. The amount distributed to employees in 2012 was \$486 million, income and other taxes to the government was \$88 million, and interest and dividends to the providers of capital was \$525 million, leaving a balance of \$139 million reinvested in the business and \$1 million in other non-operating expenses.



**West Tucana**, the first of two F&G JU2000E jack-up rigs for Seadrill under construction at Jurong Shipyard

### financial review

2012 Quarterly (\$'000)	<b>1</b> Q	2Q	3Q	4Q	Total
Turnover	942,564	1,216,989	892,413	1,378,157	4,430,123
Operating profit	120,205	159,823	125,947	148,243	554,218
Earnings before interest, tax, depreciation and amortisation (EBITDA)	141,416	181,064	149,267	176,459	648,206
Profit before tax	143,509	184,022	139,279	162,837	629,647
Net profit	113,085	142,780	115,512	167,076	538,453
Earnings per share (cents)					
Year-to-date	5.43	12.27	17.81	25.81	
In-quarter	5.43	6.84	5.53	8.00	

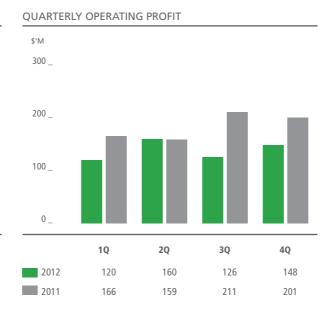
2011 Quarterly (\$'000)	<b>1</b> Q	2Q	3Q	4Q	Total
Turnover	828,889	831,310	1,302,443	997,588	3,960,230
Operating profit	166,119	158,792	211,140	201,078	737,129
Earnings before interest, tax, depreciation and amortisation (EBITDA)	186,357	179,361	231,440	226,249	823,407
Profit before tax	180,068	181,283	275,205	223,357	859,913
Net profit	150,630	149,743	222,508	229,022	751,903
Earnings per share (cents)					
Year-to-date	7.25	14.45	25.14	36.13	
In-quarter	7.25	7.20	10.69	10.99	

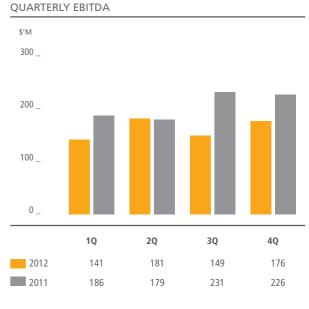
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1,217

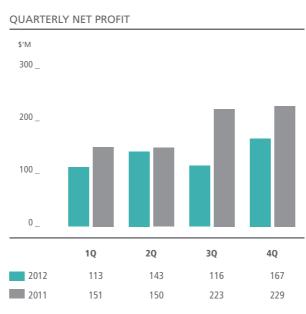
1,302

1,378











### 2008

Turnover at the Group level registered a high at \$5.1 billion, an increase of 12 per cent attributable mainly to growth across rig building, ship repair, offshore and conversion sectors. Group operating profit increased by 44 per cent to \$502 million, while Group pre-tax profit also grew by 49 per cent to \$545 million in 2008. The increase was mainly due to the higher revenue and operating margin from rig building and ship repair businesses, offset by the lower contributions from Cosco Shipyard Group.

Group net profit was \$430 million, an increase of 78 per cent from \$241 million in 2007. Excluding the one-off charge of \$44 million arising from the commercial settlement with BNP Paribas of foreign exchange transactions in 2008, Group net profit increased by 31 per cent to \$474 million.

### 2009

Group turnover was a record-high at \$5.7 billion, with growth mainly attributable to the rig building sector. Group operating profit increased by 72 per cent to \$862 million from \$502 million in 2008 mainly due to better operational efficiency and execution of repeat rig orders.

Group pre-tax profit climbed 67 per cent from \$545 million in 2008 to \$908 million in 2009 on the back of higher operating margin from rig building projects. Group net profit increased by 63 per cent to \$700 million in 2009 from \$430 million in 2008.

### 2010

The Group reported a turnover of \$4.6 billion, 20 per cent lower than 2009 mainly due to lower progressive revenue recognition for the rig building, ship conversion and offshore projects as well as lower variation order settlement in 2010 as compared to 2009.

Group operating profit grew 9 per cent from \$862 million in 2009 to \$943 million, attributable to the resumption of margin recognition arising from the sale of a harsh-environment jack-up rig as well as the execution of repeat rig orders for customers during the year.

Group pre-tax profit was \$1.1 billion, 19 per cent higher than 2009. This was driven mainly by higher profit margin and the receipt of settlement of the disputed foreign exchange transactions with Societe Generale during the year. Group net profit achieved a new high of \$860 million, 23 per cent more than \$700 million in 2009.

### 2011

Group turnover declined 13 per cent to \$4.0 billion in 2011 due mainly to the timing, number and value of the projects in varying progressive revenue recognition stages across the three business sectors of rig building, ship conversion and offshore as well as ship repair.

Operating profit decreased 22 per cent to \$737 million due mainly to fewer rig projects especially semi-submersible rigs. Group pre-tax profit of \$860 million was 20 per cent lower. Net profit for 2011 was \$752 million as compared to \$860 million in 2010. The 13 per cent decline was due to lower operating profit from rig building projects and the receipt on the full and final amicable settlement of the disputed foreign exchange transactions with Societe Generale in 2010. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions.

### 2012

Group turnover of \$4.4 billion was 12 per cent higher than that of the previous year. This was attributable to increased contributions from rig building and offshore platform projects.

Operating profit decreased 25 per cent from \$737 million in 2011 to \$554 million in 2012 due mainly to the lower margin from new design rigs. There was also a resumption of margin recognition on completion and delivery of a semi-submersible in 2011. Group pre-tax profit saw a decline of 27 per cent to \$630 million. Net profit of \$538 million was 28 per cent lower than 2011 due to lower operating profit from rig building projects.

### **Group Five-Year Financial Summary**

For the year	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Turnover	5,063,948	5,724,742	4,554,863	3,960,230	4,430,123
Operating profit	501,837	862,354	942,564	737,129	554,218
Profit before tax	544,958	907,635	1,077,888	859,913	629,647
Net profit	429,918	700,118	860,266	751,903	538,453
Dividend - Interim	102,906	103,124	103,795	104,185	104,382
Dividend - Final	123,542	124,486	125,093	125,303	125,267
Dividend - Final special	_	82,990	521,223	292,375	41,756
Dividend - Total	226,448	310,600	750,111	521,863	271,405
Group Balance Sheet					
Property, plant and equipment	697,702	678,361	681,948	1,034,345	1,476,206
Associates & joint ventures	269,609	267,774	306,956	380,065	417,329
Other long term investments	138,376	165,783	286,856	126,956	154,332
Other long term assets	70,611	57,789	103,258	111,411	97,715
Current assets	3,435,519	3,517,841	3,900,152	3,398,869	3,640,875
Current liabilities	(3,111,640)	(2,635,282)	(2,448,773)	(2,400,252)	(2,718,214)
Long term liabilities	(140,218)	(91,858)	(143,471)	(145,314)	(521,218)
	1,359,959	1,960,408	2,686,926	2,506,080	2,547,025
Share capital	443,347	443,347	456,561	470,596	480,086
Capital, foreign currency translation and other reserves	(81,359)	22,515	175,888	(24,695)	(26,335)
Retained profit	955,997	1,418,208	1,966,954	1,968,356	1,984,773
Non-controlling interests	41,974	76,338	87,523	91,823	108,501
	1,359,959	1,960,408	2,686,926	2,506,080	2,547,025

For the year	2008	2009	2010	2011	2012
Per Share					
EPS - basic (cents)	20.83	34.02	41.55	36.13	25.81
EPS - diluted (cents)	20.72	33.93	41.43	36.10	25.80
Net tangible assets (cents)	63.81	90.97	124.80	114.14	115.19
Net asset value (cents)	64.11	91.27	125.10	115.92	116.80
Financial Ratios					
Return on equity (%)	28.68	43.73	38.37	29.99	22.19
Return on total assets (%)	9.48	15.06	17.26	14.56	9.94
Operating profit/equity (%)	33.48	53.86	42.05	29.40	22.84
Current ratio (times)	1.10	1.33	1.59	1.42	1.34
Net gearing (times)	Net Cash				
Dividend cover (times)	1.90	2.25	1.15	1.44	1.98

### financial review

### TURNOVER AND OPERATING PROFIT Turnover OP Profit \$'M \$'M 6000 \_ \_ 1200 5000 \_ \_ 1000 4000 \_ \_ 800 3000 \_ 600 \_ 400 2000 1000\_ \_ 200

2008

5,064

502

2009

862

2010

943

5,725 4,555

2011

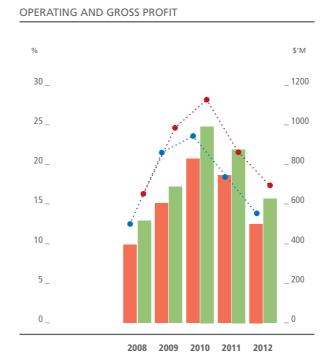
3,960

737

2012

4,430

554



15.1

12.9 17.2 24.8

862

502

655

20.7

943

986 1,129

18.6

737

21.9 15.7

12.5

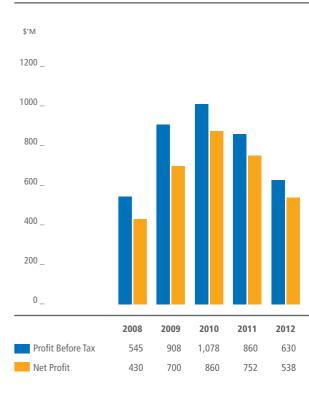
554

Operating Profit Margin 9.9

Gross Profit Margin

Operating Profit

··●··· Gross Profit



PROFIT BEFORE TAX AND NET PROFIT

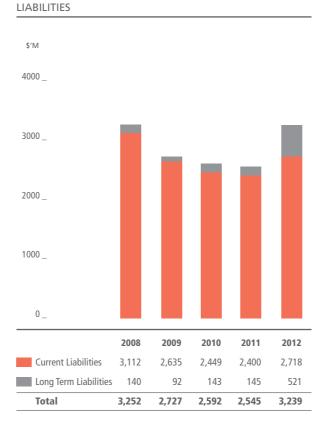
0 \_

Turnover

Operating Profit

#### \$'M 6000 \_ 5000 \_ 4000 \_ 3000 \_ 2000 1000\_ 0 \_ 2008 2009 2010 2011 2012 Property, Plant 698 678 682 1,034 1,476 and Equipment Associates and 270 268 307 380 417 Joint Ventures Other Long Term 138 166 287 127 154 Investments Other Long Term Assets 71 58 103 111 98 3,435 Current Assets 3,518 3,900 3,399 3,641 Total 4,612 4,688 5,279 5,051 5,786

**ASSETS** 



#### SHAREHOLDERS' FUNDS \$'M ROE % 3000 \_ \_ 50 2500 \_ \_ 40 2000 \_ \_ 30 1500 \_ \_20 1000 \_ \_10 500 \_ 0 \_ -500 \_ 2008 2009 2010 2011 2012 457 Issued Capital 443 443 471 480 Capital, Foreign Currency Translation -25 -81 23 176 -26 & Other Reserves Retained Profit 956 1,418 1,967 1,968 1,985 ■ Non-controlling 42 76 88 92 109 Interests

1,360 1,960 2,687 2,506 2,547

38.4

30.0

22.2

43.7

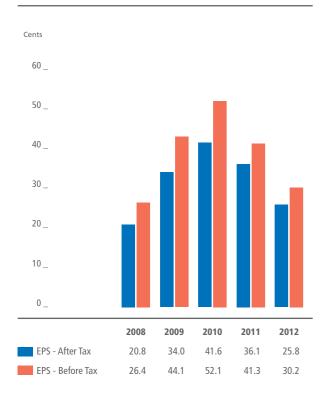
28.7

Total

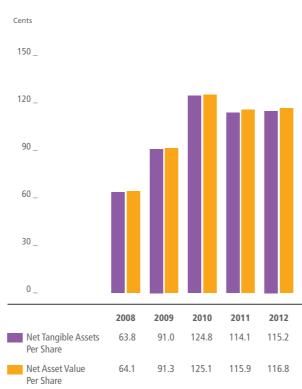
Return on Equity

### financial review

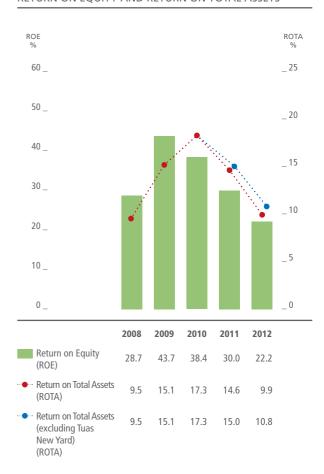
#### **EARNINGS PER SHARE**



#### NET TANGIBLE ASSETS AND NET ASSET VALUE PER SHARE



#### RETURN ON EQUITY AND RETURN ON TOTAL ASSETS



### DIVIDEND PER SHARE

20 _ 10 _ 0 _		ı	ı	
20_	10_	ì	ı	
30_	20_			
20	30 _			



Providing a range of marine and offshore engineering solutions.

### **Economic Value Added**

	2012 \$′000	2011 \$'000
Net operating profit before tax	573,377	797,035
Adjust for:		
Share of associates' and joint ventures' profit	56,270	62,878
Interest expense	7,619	6,594
Others	(29,283)	(7,776)
Adjusted profit before interest and tax	607,983	858,731
Cash operating taxes (Note 1)	(25,483)	(77,053)
Net operating profit after tax (NOPAT)	582,500	781,678
Average capital employed (Note 2)	2,883,259	2,767,039
Weighted average cost of capital (Note 3)	6.9%	7.2%
Capital charge	198,945	199,227
Economic value added (EVA)	383,555	582,451
Non-controlling share of EVA	(22,121)	(11,314)
EVA attributable to owners of the Company	361,434	571,137

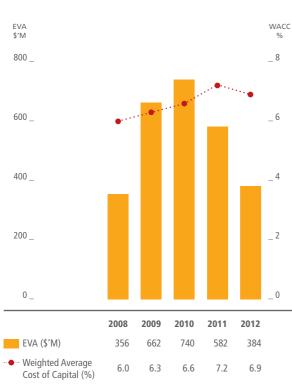
- Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.
- Note 2: Monthly average total assets less non-interest bearing liabilities plus timing provision, goodwill written off / amortised / impaired and present value of operating leases.
- Note 3: The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:
  - i) Cost of equity using Capital Asset Pricing Model with market risk premium at 7.3% (2011: 5.0%);
  - ii) Risk-free rate of 2.39% (2011: 2.69%) based on yield-to-maturity of Singapore Government 10 years Bonds;
  - iii) Ungeared beta 0.9 (2011: 0.9) based on Sembcorp Marine risk categorisation; and
  - iv) Cost of debt rate at 2.87% (2011: 2.63%) using 5-year Singapore Dollar Swap Offered rate plus 175 basis point (2011: 5-year Singapore Dollar Swap Offered rate plus 175 basis point).

### **Value Added Statement**

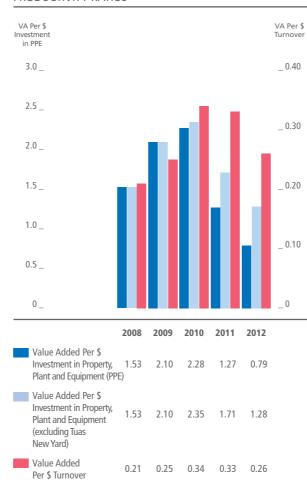
For the year	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Value added from					
Turnover	5,063,948	5,724,742	4,554,863	3,960,230	4,430,123
Less: Bought in materials and services	(3,993,848)	(4,297,115)	(3,001,594)	(2,647,550)	(3,264,571)
Gross value added	1,070,100	1,427,627	1,553,269	1,312,680	1,165,552
Investment, interest and other income	67,140	67,222	60,025	90,795	58,310
Share of associates' profit	56,995	17,549	53,648	56,870	43,235
Share of joint ventures' profit	8,305	7,850	3,991	6,008	13,035
Other non-operating expenses	(78,108)	(31,836)	(55,152)	(28,229)	(40,433)
Foreign exchange transactions	(43,749)	_	52,640	_	_
	1,080,683	1,488,412	1,668,421	1,438,124	1,239,699
Distribution					
To employees in wages, salaries and benefits	429,895	482,128	481,267	467,746	486,270
To government in income and other taxes	111,677	166,809	202,335	111,060	87,511
To providers of capital on:					
Interest paid on borrowings	11,370	5,329	7,134	2,491	3,262
Dividends to owners of the Company	209,259	226,666	311,271	750,501	522,036
Retained in business					
Depreciation, amortisation and R&D expenses	70,592	75,248	83,197	86,278	94,020
Retained profit	220,659	473,452	548,995	1,402	16,417
Non-controlling interests	21,324	56,647	33,613	17,226	28,985
Other non-operating expenses	5,907	2,133	609	1,420	1,198
Total distribution	1,080,683	1,488,412	1,668,421	1,438,124	1,239,699

For the year	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Productivity data					
Average number of employees	10,330	9,515	9,233	9,592	10,395
Employment costs	429,895	482,128	481,267	467,746	486,270
Value added per employee	103.59	150.04	168.23	136.85	112.13
Employment cost per employee	41.62	50.67	52.12	48.76	46.78
Value added per dollar employment costs	2.49	2.96	3.23	2.81	2.40
Value added per dollar investment in property, plant and equipment	1.53	2.10	2.28	1.27	0.79
Value added per dollar turnover	0.21	0.25	0.34	0.33	0.26

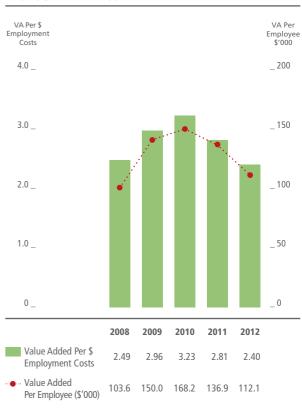
## **ECONOMIC VALUE ADDED (EVA)**



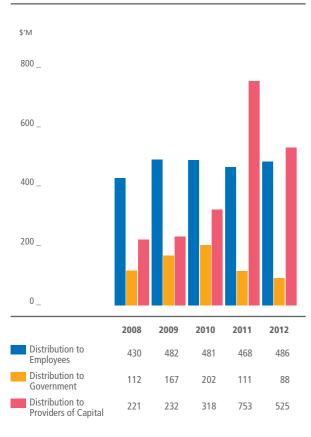
#### PRODUCTIVITY RATIOS



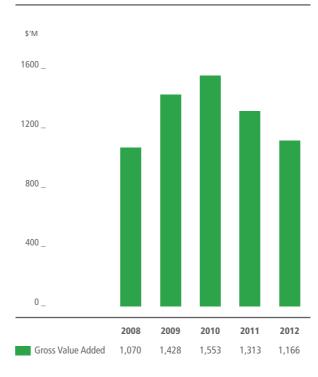
#### PRODUCTIVITY RATIOS



#### DISTRIBUTION OF VALUE ADDED

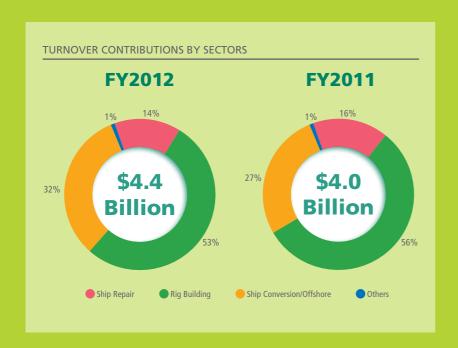


#### **GROSS VALUE ADDED**



## operations review

Amid the volatile global environment and competitive market conditions, Sembcorp Marine delivered satisfactory results underpinned by its rig building, ship conversion & offshore and ship repair sectors. Turnover for the Group was \$4.4 billion with the rig building sector contributing \$2.4 billion followed by ship conversion & offshore sector at \$1.4 billion, the ship repair sector at \$642 million and others at \$37 million.





Alliance and FCC partners together with regular clients provide a steady stream of repair projects at Sembawang Shipyard.



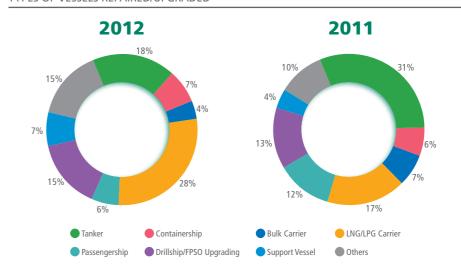
Capricorn Voyager, a tanker from Chevron Shipping Company, setting off from Jurong Shipyard after completing drydocking repairs.

### **Ship Repair Sector**

Ship Repair	2012	2011
Number of vessels	337	264
Average value per vessel (\$m)	1.90	2.44
Turnover (\$m)	642	644

Repair Revenue Contribution (%)		2011
Alliance/FCC partners	45	42
Regulars	37	40
Total	82	82
Others	18	18
Grand Total	100	100

#### TYPES OF VESSELS REPAIRED/UPGRADED





**Maersk Virtue,** a LPG tanker owned by A.P. Moller, being ushered into Jurong Shipyard for repairs.



**Taizan**, a crude oil tanker owned by Kyoei Tanker Co., all set to go after completing repair works.



**Legend of the Seas**, a cruise ship belonging to Royal Caribbean Cruises, receiving drydocking repairs at Sembawang Shipyard.

### **Ship Conversion & Offshore Sector**

Ship Conversion & Offshore Sector Deliveries		2011
FPSO/FSRU	3	3
Newbuild	1	-
Offshore vessel	-	1
Platform	-	1
Total	4	5



Successful conversion of **Nusantara Regas Satu**, Asia's first Floating Storage and Regasification Unit, by Jurong Shipyard for Golar LNG.

### **Rig Building Sector**

Rig Building Sector Deliveries		2011
Jack-up	2	3
Semi-submersible	2	4
Total	4	7



Repair and upgrading of jack-up rig **Galveston Key** for Transocean at Sembawang Shipyard.

### **Contracts Secured**

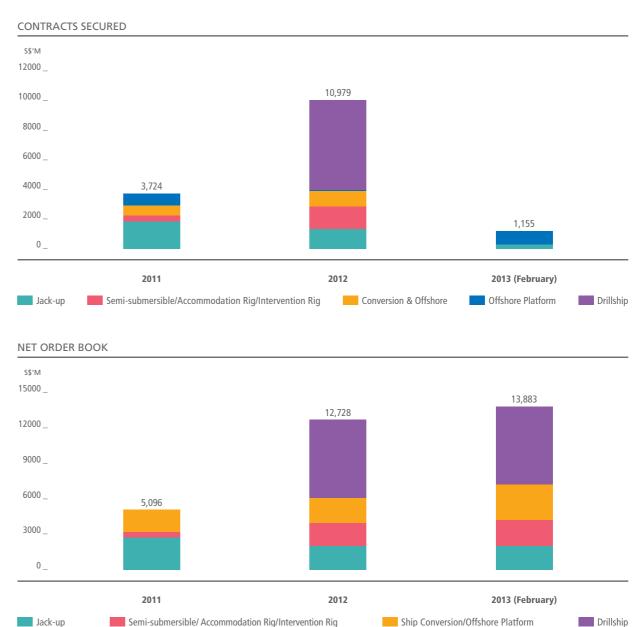
Contracts secured in 2012 was at a record high of \$11.0 billion as compared with \$3.7 billion in 2011. As at February 2013, \$1.2 billion in contracts were clinched since the start of the year.

### **Net Order Book**

The Group's net order book as at December 2012 was at an all-time high of \$12.7 billion as compared with \$5.1 billion in 2011. Including the new contracts secured to-date as at February 2013, the net order book stood at \$13.9 billion.



**Atwood Falcon** semi-submersible rig after upgrading by Jurong Shipyard.



## Outlook and Underlying Market Drivers

The fundamentals in the offshore oil and gas sector are expected to remain intact albeit macro-economic uncertainty affecting global markets. Exploration and production spending by major and national oil companies is forecasted to increase, with oil prices trending above US\$100/bbl buoyed by growing world oil demand and tight oil supply.

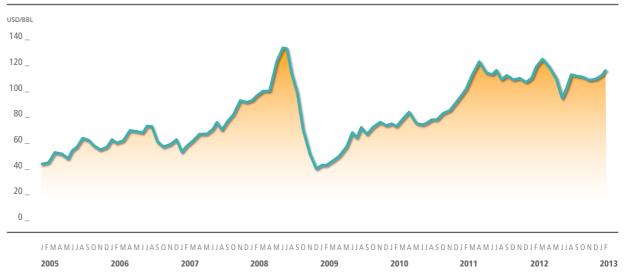
### Growth in Global Oil Demand Continues

According to International Energy Agency (IEA), world oil demand grew at an annual rate of 1.1 per cent in 2012 and is expected to increase another 1.0 per cent in 2013. Oil demand growth continues to vary significantly by region. For the Asia/Pacific region, oil demand is estimated to grow more than 5 per cent between 2011 and 2013, reflecting the strong economic growth occurring in China and India.

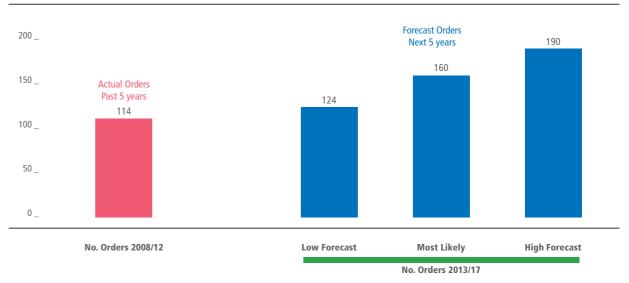


Artist impression of an offshore platform topside to be fabricated and integrated by SMOE for Det norske oljeselskap as part of the Ivar Aasen project in the North Sea.

#### **BRENT CRUDE OIL PRICE**



#### ORDERS FOR PRODUCTION FLOATERS TO GROW OVER THE NEXT FIVE YEARS



Source : International Maritime Associates, Inc

### Oil Prices Remain Strong

Despite uncertainty and volatile market conditions, crude prices continue to remain relatively strong with the Brent oil price averaging US\$111/bbl in 2011 and 2012. In the first two months of 2013, the Brent oil price averaged US\$114/bbl. These strong oil prices will spur the oil companies' appetite for additional rigs, which augurs well for the offshore exploration and production sector.

### Golden Triangle Continues to Drive Deepwater Demand

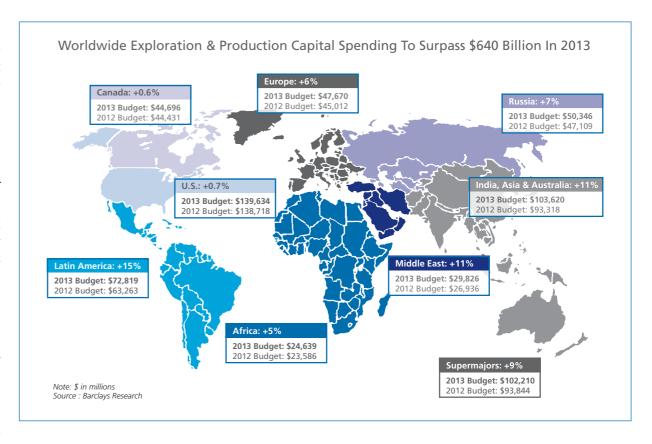
The Golden Triangle – Brazil, the Gulf of Mexico and West Africa – has constituted the majority of the deepwater market and has largely driven worldwide demand in this sector. In 2013, this trend will continue. New and emerging basins in Australia, the Mediterranean and East Africa will contribute to majority of non-Golden Triangle growth in 2013 and coming years.

### Announced Discoveries in New Countries Continue to Climb

In the first nine months of 2012, offshore exploration successes were reported in 12 different countries, up from announced discoveries in five countries in 2008. While the Golden Triangle still constitutes the majority of offshore activity, the emergence of new basins will continue as coastal countries endeavour to explore for hydrocarbons.

### Growth in Global E&P Spending Continues

Global exploration and production expenditures are expected to rise for the fourth consecutive year in 2013, driven by a projected 9.2 per cent increase in the capital budgets of international markets on the back of international and offshore cycles and attractive commodity



prices. Latin American companies are expected to lead the way in 2013 with capital spending in the region forecasted to increase by 15 per cent.

### Orders for Production Floaters to Grow over the Next Five Years

Business conditions in the deepwater drilling sector provide a barometer for future requirements for floating production systems. Drilling operators continue to report favourable underlying market fundamentals in the deepwater drilling sector and strong demand for deepwater drilling equipment, a positive leading indicator for future production floater orders.

# productivity and sustainability

Sembcorp Marine leverages its Singapore hub capabilities and the complementary strengths of its international yards to deliver cost-competitive and value-added solutions to customers worldwide. In addition to strengthening its core operations in Singapore, the Group continued to grow its business overseas by expanding into new markets and strengthening its strategic operations in key hubs with growth potential.

- Phase I Integrated Tuas New Yard in Singapore on track for operations in 2H 2013
- First overseas integrated new yard in Brazil, Estaleiro Jurong Aracruz, scheduled for completion by end-2014
- Expansion of strategic global footprint in the United Kingdom with 70 per cent acquisition of Sembmarine SLP
- Sembmarine Kakinada commences docking and repair operations in India with commissioning of first newbuild drydock



Unloading of key equipment at the Integrated Tuas New Yard

### **Fortifying Singapore Operations**

### Integrated Tuas New Yard

Sembcorp Marine continued to make progress on the construction of its 206-hectare Integrated Tuas New Yard, a key thrust of the Group's sustainable growth strategy for long-term competitiveness.

Signifying Singapore's first purpose-built integrated new yard facility, the landmark development is poised to further enhance Sembcorp Marine's Singapore hub capabilities, enabling the Group to respond effectively to customers' requirements and future challenges.

Phase I of the Integrated Tuas New Yard – a 73.3-hectare yard development which comprises four very large crude carrier (VLCC) drydocks totalling 1.55 million deadweight tonnes and quays of more than 3.8km – is on track for commercial operations in 2H 2013. With the Phase I yard coming on stream, the Group's ship repair and ship conversion & offshore capacity will nearly double from the current 1.9 million deadweight tonnes.

The Group has also acquired a 34.5-hectare site at Tuas View South Extension located adjacent to and north of the Phase I development for the Phase II new yard, which will be developed in stages over a period of four to five years.

### Enhancing Long-term Competitiveness

The Integrated Tuas New Yard is custom-built to maximise operational synergy and logistical efficiency, featuring advanced production technologies and optimised berthing and docking facilities. The new yard's work-efficient design and centralised facilities enable flexibility in the cross-deployment and multi-tasking of workers resulting in improved workforce effectiveness and resource utilisation. The leap in productivity and efficiency will bring about enhancements in service quality, value creation and response time for customers.

### Sustainable Green Features and Technology

Complying with the Building and Construction Authority's Green Mark certification, the buildings are built for energy efficiency, water efficiency, environmental protection and indoor environmental quality by incorporating recyclable construction materials and eco-friendly air-conditioning, lighting, utilities and power systems. The yard is also designed with innovative green technologies, such as an intelligent energy monitoring system for effective power management and conservation.

#### Facilities for the Workforce

Catering to the needs of the workforce, a multistorey dormitory within the new yard will provide accommodation, recreational facilities and amenities to personnel. The dormitory will have facilities – including soccer and badminton courts, a gymnasium, relaxation



Stakeholder groups including customers from Brazil visited the Integrated Tuas New Yard during the year to gain insights into its progress

corners as well as rooms for internet surfing, television viewing and reading – for workers to rest and unwind after a day's work. Resident workers can also enjoy greater convenience with amenities, such as a minimart, a barber shop and remittance services, available within the dormitory premises.

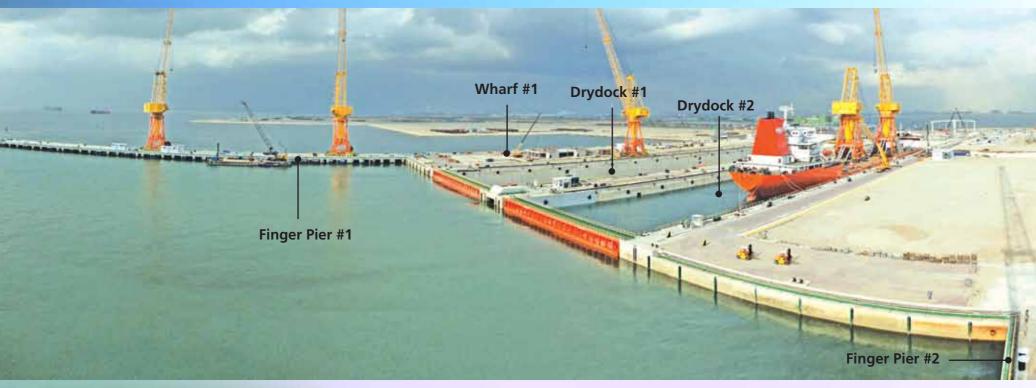
In addition, the new yard will house comprehensive training centre facilities with advanced equipment and technology where employees can upgrade their skills and competencies.



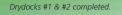
Installation of quay cranes as part of the yard facility developments

## **Integrated New Yard (Pha**

Laying the Foundation for









Drydocks #3 & #4 marine structures completed, underwater works in progress.



Finger Piers #1, #2 & #3 completed.



Wharfs #1 & #2 completed.



Wharfs #3 & #4 under construction.

# se I) At Tuas View Extension

## Long-term Sustainable Growth













Construction of workshops in progress.

A workshop in the final stages of construction

Yard Office & Customer Office construction in progress

Dormitory construction in progress.

### **Global Growth**

Beyond Singapore, Sembcorp Marine continued to grow its business with the construction of its first overseas integrated new yard in Brazil, its strategic expansion into the United Kingdom as well as facilities development in India and Indonesia

#### Reinforcing Foothold in Brazil

Building on two decades of experience in servicing Brazil's offshore oil and gas industry, Sembcorp Marine is further strengthening its strategic operations in the country with the ongoing construction of Estaleiro Jurong Aracruz, the Group's first overseas integrated new yard, in the municipal of Aracruz in Espirito Santo.

Sembcorp Marine's subsidiary Jurong Shipyard is currently undertaking the construction of Estaleiro Jurong Aracruz following the groundbreaking in December 2011 after the yard successfully obtained the Environmental Licence, a pre-requisite for construction in Brazil.

Situated on an 82.5-hectare freehold site with a long coastline of 1.6km, the new yard is well-positioned to serve the country's thriving offshore oil and gas exploration and production sector with its close proximity to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs.

Planned facilities for Estaleiro Jurong Aracruz include a 1km berthing quay, ancillary piping facilities and steel fabrication workshops. Scheduled for completion by end-2014, the new yard will have capabilities to undertake the construction of drillships, semi-submersible and jack-up rigs, platforms and supply vessels, FPSO integration and topside modules fabrication in addition to the traditional services in rig and ship repairs, modification and upgrade works.



Marking the strengthening of ties between Sembcorp Marine and the state of Espirito Santo, where the Group's first overseas integrated new yard facility will be built.



Construction of the New Integrated Brazilian Yard is currently underway, with completion scheduled by end-2014.

# **Estaleiro Jurong Aracruz**

New Integrated Yard Facility in Brazil



Construction in progress: Strategically located in the municipal of Aracruz in the state of Espirito Santo in Brazil, Estaleiro Jurong Aracruz will be well-positioned to serve the country's thriving offshore oil and gas sector.

#### productivity & sustainability



His Excellency Renato Casagrande, Governor of Espirito Santo, and Mr Goh Geok Ling, Chairman of Sembcorp Marine, laying the foundation for Estaleiro Jurong Aracruz.

The strengthening of Sembcorp Marine's Brazil hub will enable the Group to effectively cater to the needs of the country's offshore industry in developing the recently discovered giant pre-salt oil and gas reservoirs. With the establishment of Estaleiro Jurong Aracruz, the Group is well-placed to partner Brazil in its offshore fleet investment plan, which requires Brazilian local content for its exploration and production platform projects. The Group can also leverage Brazil's strategic location near the oil and gas fields of the Atlantic, Gulf of Mexico and offshore West Africa, to capture emerging opportunities in these sectors.

Reflecting Sembcorp Marine's status as a leading partner of choice in Brazil, the Group had in 2012 secured US\$6.3 billion in contracts for offshore projects to be deployed to Brazil's offshore giant pre-salt oil and gas fields. These include the milestone orders of seven proprietary design Jurong Espadon newbuild drillships worth a total of US\$5.6 billion by Sete Brasil for charter

### **Nurturing Talents for Estaleiro Jurong Aracruz**

o further raise the marine and offshore engineering competencies of the local Brazilian workforce, Sembcorp Marine is investing in a series of scholarship and training programmes to nurture talents for Estaleiro Jurong Aracruz.

A key thrust of this workforce development drive is the Joint Educational Programme, which is sponsored by the Group and developed in partnership with Brazil's Instituto Federal do Espirito Santo (IFES) and Singapore's Ngee Ann Polytechnic.

The Memorandum of Understanding for the educational partnership was signed in April 2012 by the key stakeholders in the presence of the Governor of Espirito Santo, His Excellency Renato Casagrande. Under the joint initiative, the Group will be investing more than \$2 million over a period of five years to provide knowledge and skills transfer to the Brazilian workforce through overseas training and learning exchanges for students and lecturers of IFES and Ngee Ann Polytechnic.

For a start, a total of 23 promising IFES graduates from mechanical engineering were selected for the Joint Educational Programme at Singapore's Ngee Ann Polytechnic. Since arriving in Singapore in January 2013, the participants have commenced a three-month Technical English Course to enhance their proficiency in the English language and technical terms used in the maritime industry. This will be followed by a six-month specialised course where they will graduate with a Diploma (Conversion) in Marine and Offshore Technology. Upon their course completion, the participants will be attached to Jurong Shipyard for up to six months of on-the-job training before returning to Brazil to commence work in Estaleiro Jurong Aracruz.

Another key initiative under the Joint Educational Programme is the 'Train the Trainers' programme which aims to create a sustainable pipeline of marine and offshore engineering talents for Estaleiro

Jurong Aracruz. As part of this initiative, lecturers from IFES will undergo a specialised course in Ngee Ann Polytechnic that will equip them with knowledge to develop a new marine and offshore technology course to further train the local talent pool in Espirito Santo.



The pioneer batch of Brazilian students under Sembcorp Marine's Joint Educational Programme in conjunction with Brazil's IFES and Ngee Ann Polytechnic arriving in Singapore for training and immersion.

to Petrobras for the Santos Basin development as well as modules construction and integration for the FPSOs *Petrobras 68* and *Petrobras 71* by Tupi B.V. for the Tupi Field.

Other ongoing projects at the Group's yards for deployment offshore Brazil include an FPSO conversion project and a DP2 accommodation & repair vessel conversion.

To date, the Group has successfully delivered 20 oil and gas exploration, production and storage platforms for Brazilian oilfields, including four deepwater semi-submersible rigs, 10 FPSOs, one FPU, one FDPSO, two FSOs and two shuttle tankers.



Aerial view of Sembmarine SLP in Lowestoft, Suffolk, United Kingdom

#### Footprint in United Kingdom

The Group expanded its footprint into the United Kingdom when its subsidiary SMOE acquired SLP Engineering from the Smulders Group in September 2012. Renamed Sembmarine SLP, the newly acquired company is a leading oil & gas and renewable energy solutions provider with 40 years of experience.

As part of the deal, SMOE invested £2.5 million for a 70 per cent stake in Sembmarine SLP's newly incorporated holding company, Sembmarine North Sea Limited. The remaining 30 per cent is owned by eight members of the SLP Engineering management team.

The acquisition of Sembmarine SLP will enable the Group to provide synergistic support and reach out to its North Sea clientele, positioning it for future growth opportunities. These include new business areas in the renewable energy sector as well as in the fabrication of minimum facilities platforms for marginal oil and gas fields in the North Sea and Asia Pacific waters.

#### Capabilities Building in India

Sembmarine Kakinada, Sembcorp Marine's joint-venture yard in the east coast of India, commenced drydocking operations in January 2013. This followed the successful commissioning of the yard's first newbuild floating dock, which has a lifting capacity of 13,500 tonnes and is equipped with two 15-tonne travelling dock cranes.

With the new floating dock in operation, the yard is capable of undertaking full drydocking and repair works, supported by facilities such as blasting and painting shops, specialised offshore equipment service shops for riser and tubular repairs, mechanical & electrical, piping & outfitting and multi-purpose workshops as well as a 630m repair pier with two 50-tonne travelling cranes.

The development of Sembmarine Kakinada into a onestop integrated offshore service facility will be carried out in three phases. When completed, the yard will be a onestop integrated offshore service facility for the repairs and servicing of offshore vessels and ships, newbuildings, oil & gas riser and equipment repairs as well as platforms and modules fabrication.

#### **Expanding Indonesia Operations**

PT SMOE Indonesia, a subsidiary of SMOE, is further expanding its facilities in phases on Batam island to cater to the upcoming field developments offshore Indonesia and complement SMOE's global contracting strategy in the oil and gas industry.

The expansion of the custom-built yard will increase the yard area from 52 hectares to 68.5 hectares and the reinforced quayside length from 272m to 547m, enabling the yard to undertake mega-weight and modular concept projects. Another 450m of shoreline is being planned as an extension of the newly completed Phase II quayside, which has a load-out capacity of 20,000 tonnes. Water depth at the quayside will be dredged to a uniform depth of 10m. As part of the improvements, the whole yard has been hard-surfaced to ensure good ground conditions for optimal performance even during wet weather.

In addition to the existing facilities, four large workshops, a huge blasting and painting chamber, two project office blocks, a VIP room for clients and visitors as well as two canteen facilities for more than 2,000 personnel form part of the expansion programme which is scheduled for completion by end-2013.



Addition and upgrading of facilities at PT SMOE Indonesia

## awards and accolades

#### CORPORATE GOVERNANCE AND TRANSPARENCY

#### **Singapore Corporate Awards 1**

#### Best Annual Report Award Silver Award: Sembcorp Marine

Distinguished for excellence in shareholder communication and corporate transparency among firms with a market capitalisation of more than \$1 billion.

#### Singapore Sustainability Awards 2



**Top Honours: Sembcorp Marine** 

Recognised by the Singapore Business Federation for the Group's sustainable business practices, pro-environment operations, as well as commitment to corporate social responsibility and innovation.

#### SIAS Investors' Choice Awards 3

#### **Most Transparent Company Award** (Oil and Gas)

Winner: Sembcorp Marine

Accorded by the Securities Investors Association of Singapore (SIAS) for achieving high standards of corporate governance and transparency practices.

#### **BUSINESS EXCELLENCE**

#### Distinguished Partner in Progress Award 4

Winner: Sembcorp Marine

Recognised by the Economic Development Board for the Group's significant contributions to the nation as a homegrown global leader.

#### FinanceAsia Asia's Best Companies 2012 (Singapore) 5

Best Corporate Governance (3rd) – Sembcorp Marine Best Managed Company (5th) – Sembcorp Marine Best Investor Relations (5th) – Sembcorp Marine

Best Chief Financial Officer (1st) – Mr Tan Cheng Tat, Sembcorp Marine's Chief Financial Officer

Recognised by FinanceAsia Magazine based on its annual survey of Asia's best managed companies.

#### **Euromoney Asia Best Managed Companies 2012** 6

#### Best Managed Company in the Construction Sector

Winner: Sembcorp Marine

Presented by Euromoney Magazine for the Group's market strength, profitability, growth potential, quality of management and earnings performance.

#### **Singapore International 100**

10th Place: Sembcorp Marine

Ranked by the DP Information Group as one of the top ten performing companies in Singapore based on overseas turnover.

#### Seatrade Asia Awards 7



#### Repair Yard Award

Finalists: Jurong Shipyard and Sembawang Shipyard Nominated by Seatrade for their established expertise in ship repair, strong quality focus and high standards of health, safety, security and environment.

#### Shipbuilding Award

Winner: Sembawang Shipyard Finalist: Jurong Shipyard

Recognised by Seatrade for Sembawang Shipyard's proven track record in specialised newbuilding, safety record and flexibility in dealing with customers as well as for Jurong Shipyard's strong offshore and marine engineering capabilities and commitment to safety and quality.

#### **SAFETY, HEALTH AND INNOVATION**

#### National Workplace Safety and Health (WSH) Awards 8

#### WSH Performance Awards (Silver)

Winners: Jurong SML (Benoi), Jurong SML (Tuas) and PPL Shipyard Recognised by the WSH Council for the yards' excellent health, safety and environmental (HSE) performance through implementing effective WSH management systems.























## awards and accolades

#### WSH Performance Awards

(Safety and Health Award Recognition for Projects)

- Jurong Shipyard: Atwood Condor, FPSO Cidade de Itajai, Nusantara Regas Satu, West Capricorn and West Leo
- Sembawang Shipvard: McDermott Derrick Barge No. 50 (DB 50)
- PPL Shipyard: Atwood Mako, PPL Tuas Yard Rig Building, Special Construction Fabrication Workshop and Transocean Honor
- SMOE: Ekofisk 2/4L Accommodation Platform Topsides and Bridges Project Awarded by the WSH Council to projects and sites for excellent safety performance.

#### WSH Innovation Awards

Winner: Jurong Shipyard (Zero Dust Emission Tank Blasting and Innovative Hydraulic Cable Drum Jack)

Awarded by the WSH Council for innovative projects that effectively reduce potential workplace health, safety and environment hazards.

#### WSH Officer Awards

Winner: Mr Tan Joo Jin, Assistant HSE Manager, PPL Shipyard Awarded by the WSH Council for demonstrating leadership in WSH practices.

#### WSH Award for Supervisors

Winner: Mr Richard Low Keng Fatt, Senior Foreman, PPL Shipyard Awarded by the WSH Council for his passion and dedication to WSH.

#### **ASMI WSH Innovation Awards in Marine Industry**

Gold Awards: Jurong Shipyard (Flanges Splitter);

Sembawang Shipyard (Auto-Rotor-Out) Silver Award: Jurong Shipyard (Sollevare)

Bronze Award: PPL Shipyard (Ergo Grinder Stand)

Recognised by the Association of Singapore Marine Industries (ASMI) for innovative projects that enhance WSH standards and practices.

#### **International Sustainability Rating System Lifetime Achievement** Award 9

Recipient: Sembawang Shipyard

Presented by DNV (United Kingdom) for continuous commitment towards sustainability and HSE excellence for the past 20 years.

#### **National Safety and Security Watch Group Cluster Award**

Winner: Jurong Shipyard

Recognised by the Singapore Police Force for active involvement in safeguarding

community safety and security.

#### **CORPORATE SOCIAL RESPONSIBILITY**

#### NTUC May Day Awards 10

#### Medal of Commendation Award

Winner: Mr Wong Weng Sun, Sembcorp Marine's President & CEO Conferred by the National Trades Union Congress for Mr Wong's strong commitment towards workers' workfare as well as good industrial relations.

#### Work-life Excellence Awards 11

#### Work-life Achiever Award

Winner: Sembcorp Marine

Presented by the Tripartite Committee on Work-Life Strategy for commitment towards driving work-life synergy across the Group.

### Singapore HEALTH Award 12

(Helping Employees Achieve Life-time Health)

Platinum Awards: Jurong Shipyard and Jurong SML

Conferred by the Health Promotion Board for their ongoing commitment in promoting total wellness and health among employees.

#### **Community Chest Award 2012**

#### SHARE Gold Award (Corporate)

Recipient: Sembawang Shipyard

Recognised by the Community Chest for significant contributions by the yard and its employees towards the SHARE donation programme.

#### Home Team National Service Award 13



Recipient: Sembawang Shipyard

Presented by the Ministry of Home Affairs for demonstrating strong support of employees' National Service duties and contributions towards the safety and security of Singapore.

































### calendar of events

#### JANUARY 2012

- **01** Delivery of **West Leo**, the second Moss Maritime CS50 MKII semi-submersible rig built from a six-column bare-deck hull by Jurong Shipyard for Seadrill.
- **02** Launch of the Greenwave Environmental Care Competition 2012 and presentation of awards to 2011 winners.
- Annual Long Service Awards ceremony.

#### FEBRUARY 2012

- O3 Delivery of Seven Borealis, the world's largest heavy lift crane carrier built by Sembawang Shipyard for Subsea 7, following the naming in January.
- O4 Award of a US\$792.5 million contract by Guarapari Drilling BV, Netherlands, a subsidiary of Sete Brasil Participações (Sete Brasil), to Estaleiro Jurong Aracruz for the design and construction of a drillship based on the proprietary Jurong Espadon design.
- **05** Award of a US\$213 million contract by Safin Gulf to PPL Shipyard for the building of a proprietary Pacific Class 400 design jack-up rig.
- Announcement of full-year 2011 financial results.

#### **MARCH 2012**

O6 Delivery of Floating Production Storage and Offloading (FPSO) vessel BW Joko Tole (ex-BW Genie) after major upgrading, life extension and conversion by Sembawang Shipyard for BW Offshore.

- Completion of **Badrinath** drill barge upgrading by Sembawang Shipyard for Great Offshore.
- Award of a US\$385.5 million contract by Helix Energy Solutions Group to Jurong Shipyard for the building of a semisubmersible well intervention rig.
- Investment by Sembawang Shipyard for a 20 per cent equity interest in Ecospec Global Technology, a leading Singaporebased research and development company specialising in environment technologies for the marine and onshore industry.

#### **APRIL 2012**

- **07** Naming and delivery of *Nusantara Regas Satu*, Asia's first Floating Storage and Regasification Unit (FSRU), converted by Jurong Shipyard for Golar LNG.
- **08** Award of a US\$568 million contract by Seadrill's subsidiary, North Atlantic Drilling, to Jurong Shipyard for the building of a Moss Maritime CS60 harsh-environment ultra-deepwater semi-submersible rig.
- **09** Award of a US\$218.5 million turnkey contract by Gulf Drilling International to PPL Shipyard for the building of a proprietary Pacific Class 400 design jack-up rig.
- Completion of *Trident 16* jack-up rig upgrading by Sembawang Shipyard for Transocean Eastern.
- 49<sup>th</sup> Annual General Meeting and Extraordinary General Meeting.
- Sponsorship of Singapore's National Workplace Safety & Health 2012 campaign.

Signing of a Memorandum of Understanding between Sembcorp Marine, Brazil's Instituto Federal do Espírito Santo (IFES) and Singapore's Ngee Ann Polytechnic to initiate a joint educational programme to train students from the state of Espirito Santo.

#### MAY 2012

- 11 Delivery of *L-3601* floating crane to Jurong Shipyard by IHI Marine United, following the naming in March.
- 12 Completion of **Atwood Falcon** semisubmersible rig upgrading works by Jurong Shipyard for Atwood Oceanics.
- Completion of *DB 50* dynamic positioning heavy lift and pipelay vessel upgrading by Sembawang Shipyard for McDermott.
- Completion of Actinia semi-submersible rig upgrading by Sembawang Shipyard for Transocean Eastern.
- Completion of *Troll Solutions* jack-up rig upgrading by Sembawang Shipyard for Troll Drilling & Services.
- 13 Award of a US\$208 million contract by Perisai (L), a wholly-owned subsidiary of Perisai Petroleum Teknologi, to PPL Shipyard for the construction of a proprietary Pacific Class 400 design jack-up rig.
- Award of \$130 million in contracts by Angola's Sonangol Pesquisa e Produção and North West Shelf Shipping Service Company, Australia, to Sembawang Shipyard for ship repair, upgrading and life extension works.

- Keel-laying of *RV Investigator*, a dynamically positioned fisheries and research vessel built by Sembawang Shipyard for Commonwealth Scientific and Industrial Research Organisation.
- Announcement of first quarter 2012 financial results
- Participation in Offshore Technology Conference, the world's foremost oil and gas industry exhibition held in Houston, United States.

#### **JUNE 2012**

- 14 Delivery of Atwood Condor, the second Friede & Goldman (F&G) ExD Millennium Class semi-submersible rig built by Jurong Shipyard for Atwood Oceanics, following the naming in March.
- 15 Sail-away of Montara Venture after the successful FPSO upgrading and life extension by Jurong Shipyard for PTTEP, following the blessing ceremony in April.
- 16 Award of about US\$63 million to PT SMOE Indonesia by Premier Oil Natuna Sea as part of an approximately US\$175 million contract with consortium partner PT Rajawali Swiber Cakrawala for the engineering and construction of two wellhead platforms, two infield sub-sea pipelines and modification works for the Naga and Pelikan project.
- Launching of Sea Boss, a proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Safin Gulf.
- Participation in Posidonia 2012, a leading shipping exhibition held in Greece every two years.





































### calendar of events

#### **JULY 2012**

- 01 Strike-steel of Premier Oil Natuna Sea's Naga and Pelikan Project by PT SMOE Indonesia and consortium partner, PT Rajawali Swiber Cakrawala.
- Completion of Galveston Key jack-up rig repair and upgrading by Sembawang Shipyard for Transocean.

#### AUGUST 2012

- **02** Delivery of **Atwood Mako**, a proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Atwood Oceanics.
- 03 Launching of Atwood Orca, the third proprietary Pacific Class 400 design jackup rig built by PPL Shipyard for Atwood Oceanics.
- Award of a contract of about US\$4,032
  million by Sete Brasil to subsidiary Jurong
  Offshore for the design and construction
  of five drillships based on the proprietary
  Jurong Espadon drillship design.
- Award of a US\$674 million contract by Tupi B.V. to subsidiary Jurong do Brasil Prestação de Serviços (JDB) for the fabrication and integration of eight modules for two FPSO vessels P-68 and P-71.
- Award of a US\$135 million contract by Diamond Offshore Drilling to Jurong Shipyard for the *Ocean Apex* deepwater semi-submersible rig project.
- **04** Keel-laying of **Noble Mick O'Brien**, the second F&G JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation.

- 05 Strike steel of Noble Sam Turner, the fourth F&G JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation.
- Of Strike steel of Banyu Urip, a Floating Storage and Offloading vessel (FSO) conversion project by Sembawang Shipyard and consortium partner PT Scorpa Pranedya for Mobil Cepu, a subsidiary of Exxon Mobil Corporation and contractor for the Indonesian Oil and Gas Regulatory Body for Cepu Block.
- Announcement of second quarter 2012 financial results.
- Participation and sponsorship of National Day Parade 2012.

#### SEPTEMEBER 2012

- 07 Launching of Al-Jassra, a proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Gulf Drilling International.
- 08 Acquisition of SLP Engineering, a fabrication yard based in United Kingdom, by SMOE. The facility was later renamed Sembmarine SLP.
- 69 Keel-laying of Noble Houston Colbert, the third F&G JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation.
- Participation in Shipbuilding, Machinery & Marine Technology International Trade
   Fair 2012, a biennial marine and offshore exhibition in Hamburg, Germany.

#### OCTOBER 2012

10 Completion of Ocean Monarch, a semisubmersible drilling rig upgraded by Jurong Shipyard for Diamond Offshore Drilling.

- 11 Award of Favoured Customer Contract by China LNG Shipping International to Sembawang Shipyard for the repair of LNG carriers in its fleet within the region.
- Renewal of Favoured Customer Contract by Exmar Shipmanagement NV, Belgium, with Sembawang Shipyard for the ship repair, refurbishment and upgrading of its fleet of vessels
- **12** Strike steel of **Safe Boreas**, the first accommodation semi-submersible rig built by Jurong Shipyard for Prosafe.
- 13 Strike steel of **Noble Tom Prosser**, the fifth F&G JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation.
- **14** Participation in the 9<sup>th</sup> Latin Asia Business Forum organised by International Enterprise Singapore.

#### **NOVEMBER 2012**

- 15 Delivery of Atwood Manta, the second proprietary Pacific Class 400 design jackup rig built by PPL Shipyard for Atwood Oceanics, following the naming in August.
- 16 Delivery of FPSO Cidade de Itajai, a FPSO converted from tanker Arc II by Jurong Shipyard for OOG-TKP FPSO, following the naming in July.
- Completion of *Deepwater Expeditions* drillship repair and upgrading by Sembawang Shipyard for Transocean.
- 17 Naming of **West Tucana**, the first of two F&G JU2000E jack-up rigs built by Jurong Shipyard for Seadrill.
- Award of a US\$806.4 million contract by Sete Brasil to subsidiary Jurong Offshore for the design and construction of a seventh drillship unit based on the proprietary Jurong Espadon drillship design.

- 18 Award of a US\$295.2 million contract by Prosafe to Jurong Shipyard for the construction of a second harshenvironment accommodation semisubmersible rig with options for another two units.
- **19** Strike steel of the well intervention semisubmersible rig built by Jurong Shipyard for Helix Energy Solutions Group.
- Announcement of third quarter 2012 financial results.
- Contribution of \$315,350 to 1,578 needy students through Sembcorp Marine's School Book Assistance Grant (SchoolBAG) Programme.

#### DECEMBER 2012

- Completion of SuperStar Gemini (ex-Norwegian Dream) cruise ship upgrading by Sembawang Shipyard for Star Cruises.
- 20 Award of a US\$434 million contract by Integradora de Servicios Petroleros Oro Negro, S.A.P.I. de C.V (Oro Negro) to PPL Shipyard for the construction of two units of proprietary Pacific Class 400 design jack-up rigs.
- 21 Award of a Favoured Customer Contract by Royal Caribbean Cruises to Sembawang Shipyard for ship repair, revitalisation, upgrading and related marine services for its fleet of cruise ships.
- 22 Strike steel of the sixth F&G JU3000N jackup rig built by Jurong Shipyard for Noble Corporation.
- Acquisition of a 34.5-hectare site for the Phase II development of the Integrated New Yard Facility.























# enhancing competitiveness

Benchmarking to globally recognised standards and best practices, Sembcorp Marine strives continually to deliver quality and service excellence, raise productivity and achieve high standards of health, safety and environment (HSE) to provide innovative solutions to customers.

To ensure customer satisfaction and long-term competitiveness, the Group actively engages in research and development, process innovation and facilities expansion. It also collaborates closely with its suppliers and business partners to provide enhanced capabilities and efficiencies for customers.

- Seven drillship orders, based on the proprietary Jurong Espadon design, were placed by Sete Brasil
- Five proprietary Pacific Class 400 design jack-up rig orders secured in 2012
- Award-winning innovations to enhance productivity and cost-effectiveness
- Continued close engagement with customers, contractors and suppliers
- Strategic investment of L-3601 floating crane to boost productivity and efficiency



Commemorating the successful life extension of LNG carrier **Northwest Sandpiper** in Sembawang Shipyard

### **Customer Focus**

Customer focus is a top priority and an important core value of Sembcorp Marine. The Group believes it is vital to engage customers regularly to ensure smooth project completion. By monitoring and managing the end-to-end experience for customers, the Group is able to respond proactively as well as to provide innovative solutions and services that cater to their needs.

#### Information Sharing and Feedback

Sembcorp Marine safeguards the privacy and confidentiality of its customers' information. All employees are guided by the Group's policies, and any breach of customer confidentiality will be met with strict disciplinary action. Mechanisms for customers to provide feedback and suggestions are in place. The subsidiary yards conduct surveys on customer satisfaction to solicit opinions and identify key concerns in areas such as project management, facilities, safety, engagement and quality. Feedback received during the year was generally positive.

Customers' inputs are often escalated to update senior management and Board directors on the needs of the clients. Adopting a structured approach, customer complaints are monitored closely and reviewed regularly at management-level and cross-functional work team meetings to ensure necessary actions are put in place to improve the level of customer satisfaction.



Close interaction with customer partners at a strike-steel ceremony.

#### Customer Engagement

Engagement with the Group's clients occurs on a regular basis across different channels, namely through meetings, newsletters, conference calls, correspondences, safety walkthroughs, on-site visits as well as participation in exhibitions and conferences. During the regular meetings with customers and Alliance & Favoured Customer Contract partners, the yards actively share information and comments on safety matters, progress updates as well as ongoing issues.

Senior management from Jurong Shipyard and representatives from Chevron Shipping Company had a fruitful two-day Advanced Supplier Relationship meeting to exchange feedback, discuss plans for the year and look ahead for ways to further strengthen ties. Similar collaborations took place during the year between Sembawang Shipyard and its customer partners, including

Royal Caribbean Cruises, Exmar Shipmanagement NV and China LNG Shipping International.

Workshops, forums or events are held to reinforce the importance of high operational standards. Building up a culture of safety and quality excellence across the teams, ConocoPhillips and SMOE jointly held a quality campaign for project members of the Ekofisk Accommodation Topside Project in 2012. Attended by project team members and subcontractors, the day's programme included talks on quality challenges and issues as well as an exhibition showcasing various equipment and tools deployed during the project. To strengthen ties further, other events such as nature walks and barbeque dinners were organised by the yards to encourage bonding among project team members. At award dinners such as the Seatrade Asia Awards and the National Workplace Safety &

Health Award Ceremony, customers were also invited to share in the yards' successes.

#### Health and Safety Life Cycle

Health and safety impacts during all life cycle stages of the Group's projects are constantly assessed through internationally recognised HSE and quality management systems which are built into the business operations. Sembcorp Marine's subsidiary yards are certified to standards such as ISO 9001, ISO 14001 and OHSAS 18001. The list of certifications can be found on page 15.

HSE policies, procedures and guidelines are in place to ensure all stages of each project – from the design to construction and operation – are aligned to comply with the customers' HSE objectives, the Group's environmental and safety management systems and international marine laws and regulations. Internal and external audits are conducted regularly to ensure strict adherence. These processes are also continuously reviewed to improve HSE performance. All completed projects undergo strict quality and safety audits and checks by certified classification societies before they are delivered to the customers.

### **Integrated Supply Chain**

Working in synergy with its supply chain, Sembcorp Marine is adept at providing a full spectrum of complex turnkey marine and offshore engineering solutions to its global customers, while adhering to its strong track record for quality and timely delivery. Suppliers for materials, equipment and systems are appointed upon meeting stringent selection criteria of the Group and its customers. Besides meeting price variables, suppliers are subjected to technical evaluation audits to ensure quality work, safety and timely delivery.

Once selected, the subsidiary yards collaborate closely with the suppliers to provide customers with value-added and integrated customised solutions, from procurement and construction through to integration, commissioning and delivery.

#### enhancing competitiveness

Through platforms such as meetings, forums, dialogues and trade exhibitions, Sembcorp Marine is in active engagement with its suppliers around the world to gain insights into the latest technologies, processes and standards. During the year, the Group met up with government representatives and major suppliers from Espirito Santo to share procurement needs and practices for the projects and facilities at the Group's new Brazilian yard, Estaleiro Jurong Aracruz.

### **Proven Solutions**

Backed by 50 years of track record, Sembcorp Marine and its subsidiary yards have garnered numerous national and international awards and accolades for delivering value-added and quality solutions. In 2012, Sembcorp Marine was presented with the Distinguished Partner in Progress Award in recognition of its significant contributions to Singapore's status as a premier ship repair centre and a world leader in rig building and floating production storage and offloading vessels conversion.

The Group and subsidiary yards Sembawang Shipyard and Jurong Shipyard were also honoured at the Seatrade Asia Awards attended by leading players in the maritime industry. Sembawang Shipyard was unveiled as the winner of the Shipbuilding Award for its commitment to innovative solutions, HSE, reliability, timely deliveries and project management expertise. Both Jurong Shipyard and Sembawang Shipyard were chosen as finalists for the Repair Yard Award category for their vast experience in ship repair and upgrading, strong quality focus and steadfast commitment to HSE.

Sembcorp Marine's proprietary designs have also been well-recognised by customers worldwide. Since launching the enhanced Pacific Class 400 jack-up rig design in 2010, a total of ten such units have been ordered by customers, with four units successfully delivered. The Group's Jurong Espadon drillship design was also well-received, with



**Transocean Honor**, the first of three proprietary Pacific Class 400 design jack-up rigs delivered by PPL Shipyard to Transocean.



SMOE employees in active engagement with customers.

repeat orders placed by Sete Brasil Participaçoes S.A. during the year. In addition, Noble Corporation's six jack-up rigs based on the F&G JU3000N rig design are in different stages of completion.

# **Innovative Processes** and Designs

Sharpening its competitive edge to serve customers better, Sembcorp Marine offers a wide range of services and products, encompassing shallow-water to deep-water drilling rigs, shallow-water production platforms and deep-water production units. Expanding into new market segments, the Group extended its product lines to include accommodation semi-submersible and well intervention semi-submersible rig solutions.

In line with efforts to drive continuous improvements, employees are encouraged to seek ways to improve workplace safety, increase productivity and reduce operational costs through platforms such as staff suggestion schemes, special awards, innovation teams and company events. In 2012, Sembawang Shipyard held its 12th Innovation Carnival to showcase creative solutions in enhancing safety, efficiency and cost savings. Aimed at promoting innovation and sharing of know-how among the staff, the carnival showcased a total of 50 exhibits from various departments, with representatives on hand to explain the innovative features.

Fostering a strong innovation culture, Jurong Shipyard and Jurong SML organised innovation competitions during the year where teams were honoured for their efforts in improving work processes for safety and productivity. Outstanding projects were further recognised at competitions such as the national Workplace Safety and Health (WSH) Awards co-organised by the WSH Council and the Ministry of Manpower as well as the WSH Innovations Convention organised by the Association of Singapore Marine Industries.

### **Award-winning Innovations in 2012**

#### **Zero Dust Emission Tank Blasting**



### **Winner of WSH Innovation Award, National WSH Award**Developed by: Jurong Shipyard

- A secure and portable solution that minimises leakage of grit dust during tank blasting operations
- Offers a winning combination of safety, productivity and environmental protection
- Improves productivity due to fewer work stoppages to fix any leakage during tank blasting
- Reduces the risks of slips, trips and falls from grit-covered surfaces

#### **Auto-Rotor-Out**



#### Winner of ASMI WSH Innovation Award (Gold Award)

Developed by: Sembawang Shipyard

- A safer and faster method for the extraction of the rotor from the stator of an electric motor system
- Halves the manpower required and eliminates the use of lifting equipment, thus reducing potential safety hazards

#### **Sollevare**





### Winner of ASMI WSH Innovation Award (Silver Award)

Developed by: Jurong Shipyard

- A safer and efficient way to lift and transport oil drums
- Features both a lifting platform and a handy trolley
- Improves turnaround time and reduces ergonomic and safety hazards

#### **Innovative Hydraulic Cable Drum Jack**



#### Winner of WSH Innovation Award, National WSH Award

Developed by: Jurong Shipyard

- A user-friendly and safer device that reduces ergonomic and safety risks during the jacking-up process of cable installation
- Provides portability and suitability for all sizes of cable drums
- Improves work efficiency due to the faster installation process

#### **Flanges Splitter**



#### Winner of ASMI WSH Innovation Award (Gold Award)

Developed by: Jurong Shipyard

- An innovative and safe method of splitting the flanges for gasket insertion and removal during the installation and dismantling of pipe spools
- Eliminates pinch point contact and reduces hand and finger injuries
- Speeds up productivity and efficiency during handling process

#### **Ergo Grinder Stand**



#### Winner of ASMI WSH Innovation Award (Bronze Award)

Developed by: PPL Shipyard

- A handy tool that works with a grinding machine for the safe grinding of hull bottom welding seams during jack-up rig building
- Minimises body and hand injuries and reduces excessive exposure to noise and vibration

# Research and Development Collaborations

Beyond innovative processes, Sembcorp Marine partners with tertiary and research institutions as well as industry partners to leverage leading-edge technologies in areas relevant to the Group's strategies and operations. The Group's research and development arm, Sembcorp Marine Technology, spearheads projects in the areas of environmental and energy management, efficiency as well as product and process improvements.

#### Green Initiatives

In line with the Group's commitment towards reducing carbon footprint, one of Sembcorp Marine's technology focus areas during the year was in harnessing alternative energy sources at the Integrated Tuas New Yard. Sembcorp Marine Technology continued its collaboration with Nanyang Technological University (NTU) in developing the Land-based Energy Management System in 2012. To be put on trial at the new yard by early 2013, the system comprises two components — the ship shore power consumption and billing system and the power distribution performance monitoring system — which work together to generate optimised power flow, forecast power demand and manage peak demand usage.

The wave energy converter project, in partnership with Hann-Ocean Technology, achieved another milestone with the completion of an improved prototype. Converting wave energy to electricity, the programme will be on trial from early 2013 at the new yard and is expected to reap sizeable energy efficiencies. Besides utilising wave energy, efforts were also initiated in the design of a solar harvesting system for the yard.

Leading-edge environmental solutions were also in different stages of development at other yards. In a project involving NTU and industry partners, rechargeable power supplies at Jurong Shipyard were tested in enhancing



A wave energy converter system is under development to serve as an alternative eco-friendly power source for the new yard.

The Group's research and development arm, Sembcorp Marine Technology, spearheads projects in the areas of environmental and energy management, efficiency as well as product and process improvements.

the power efficiency of material handling equipment such as forklifts. To minimise the leakage of dust during blasting and painting, Jurong Shipyard also tapped on the knowledge of Ngee Ann Polytechnic's Centre of Innovation and its partners in developing a dust control system to be deployed at the drydock.

#### Production Process Enhancements

The Group's research and development programmes also led to efficiency improvements at the yards. In collaboration with the National University of Singapore (NUS), Jurong Shipyard continued to refine its offshore production planning process under the 4D Assembly Requirement Analysis Project. Undergoing its testing phase, the optimisation system aims to assist hull shop personnel in monitoring, updating and controlling production planning and workshop layout so as to improve productivity and reduce wastage during the block assembly process.

Smart solutions for productivity were introduced during the year by Sembcorp Marine Technology and Jurong Shipyard. Currently undergoing fine-tuning at the yard, the cable puller system, which comprises an electric winch and guides, was effective in speeding up the process of pulling and retrieving cables supplying power to ships in the dock or at the quays. Another innovation was a grinding machine designed for the lapping of more than one valve seat at a time, while eliminating the conventional need to shift the valves manually during ship repair. Instead of relying on divers, a safe and handy jig was also developed for removing or restoring wooden caps from the keel or side blocks that were supporting ships under maintenance works.

In another collaboration with Ngee Ann Polytechnic, Jurong SML completed a programme to facilitate the efficient planning and positioning of ship berthing or docking. Currently undergoing testing, the system optimises space usage while complying with stringent safety procedures. The yard also worked closely with NUS to develop an integrated gangway that caters to different tidal conditions for safer and faster ship boarding.

### **Yard Developments**

Investments through facilities upgrading and equipment additions were made in the year to bolster the Group's capabilities and capacity for enhanced competitiveness. In 2012, Jurong Shipyard added the L-3601 floating crane to its fleet, further improving the yard's efficiency for rig construction and offshore engineering projects. One of the biggest of its kind, it weighs approximately 10,000 tonnes with a lifting capacity of 3,600 metric tonnes.

To accelerate the block erection process, the yard also added two gantry cranes of 300 tonnes and 240 tonnes to lift heavy steel blocks, thus freeing up the floating crane for other critical tasks. Another recent investment in the yard was the automated stock plate storage and retrieval system, which uses computer-controlled overhead cranes, lifting magnets, transfer cars and a laser-positioning system, to store and retrieve steel plates systematically.

JURONG SHIPYARD

Additional gantry cranes further enhance Jurong Shipyard's productivity and efficience

These additions are in line with the yard's efforts to further improve production capacity and efficiency while ensuring high quality standards.

During the year, Sembawang Shipyard saw the completion of its North Pier extension, which helped reduce double and triple banking while increasing the yard's repair capacity. Strengthening its capabilities, PPL Shipyard added new equipment, including two units of CNC profile cutting machines and an overhead crane hoist.

Investments through facilities upgrading and equipment additions were made in the year to bolster the Group's capabilities and capacity for enhanced competitiveness.

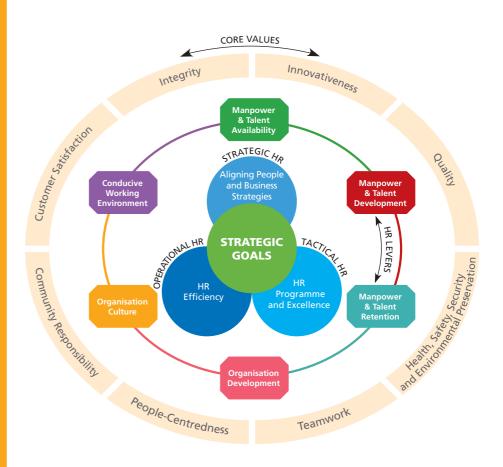


One of the biggest of its kind, the L-3601 floating crane will boost the Group's efficiency and operational capabilities.

# nurturing people

Recognising employees as invaluable assets, Sembcorp Marine aspires to foster a diverse, inclusive and collaborative workplace culture in which people can contribute to the sustained growth of the Group. Apart from comprehensive strategies on staff retention and development to realise their full potential, Sembcorp Marine also emphasises healthy living and staff engagement activities to foster a strong sense of belonging among employees.

- Invested close to \$5 million on employee training and career development
- Launch of flexible benefits scheme to offer more welfare choices for employees
- Completed second group-wide Employee Satisfaction Survey
- Received a number of awards and accolades for championing good industrial relations, work-life synergy and employees' health



### **Human Capital Strategy**

To build a productive and engaged workforce that can contribute positively to its growth, Sembcorp Marine has in place a robust human resource strategy aligned to its business objectives and strategic thrusts. Structured along the strategic, tactical and operational human resource dimensions, the strategy is built around six levers and the Group's eight core values, which provide a common sense of purpose bonding all employees.



Senior management and employees having a good time at a community outreach event.

#### Fair Employment Practices and Diversity

The Group values and supports diversity in the workplace as a fair and inclusive work environment is essential to shaping and sustaining Sembcorp Marine's long-term success. With its headquarters based in Singapore, the Group's human resource policies adhere to the Tripartite Guidelines on Fair Employment Practices formulated by the Singapore Tripartite Alliance for Fair Employment Practices. These cover the way the Group handles recruitment, training and development, performance appraisal and employee grievances such as harassment and discrimination

Guided by a merit-based hiring policy, Sembcorp Marine gives equal opportunities to candidates and adopts a fair and non-discriminatory approach, from the placement of advertisements to the interviews and selections.

All employees can feedback on suggestions or grievances in confidence to their respective human resource departments or union representatives. In line with good corporate governance practices, they are encouraged to report any inappropriate conduct without fear of reprisals under Sembcorp Marine's group-wide whistle-blowing policy through easily accessible channels including mail, email and fax. In 2012, the Group did not receive reports on employee discrimination.

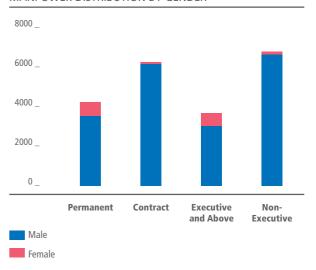
Sembcorp Marine's group of yards, subcontractors and vendors are required to follow Singapore's employment legislations and comply with the labour rights of workers. There were no reports in the year arising from the use of child or forced labour.

### **Employee Profile**

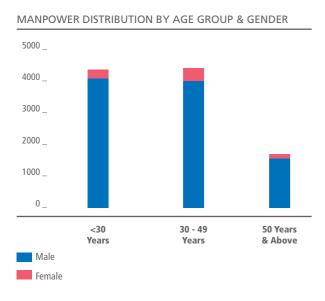
As at end 2012, Sembcorp Marine's staff strength in Singapore was 10,458. Based on employment type, about 58 per cent of the Group's employees were production workers and 42 per cent were in management and support functions. Of the production workers, males constituted 99 per cent while females made up 1 per cent. Within the management and support staff, males accounted for 82 per cent and females formed 18 per cent of this group. As a whole, the Group's workforce comprised 92 per cent males and 8 per cent females. This higher proportion of males is consistent with the workforce profile in the marine and offshore industry.

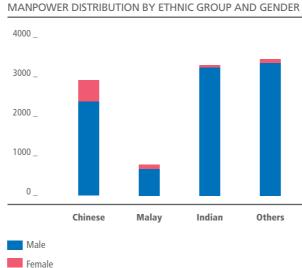
As at 1 March 2013, there were 19 senior management staff – 13 men and six women – at the Group level. Being all Singaporeans, the senior management team comprised six who were in the age category of 40 to 49 years old and 13 who were aged 50 and above. Further details can be found at the Senior Management section of the Annual Report.

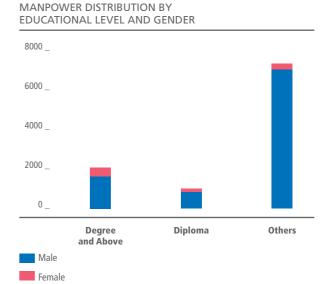
#### MANPOWER DISTRIBUTION BY GENDER



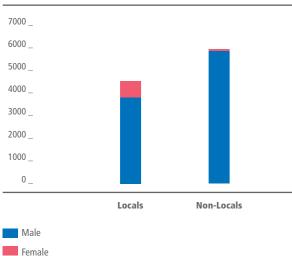
### nurturing people



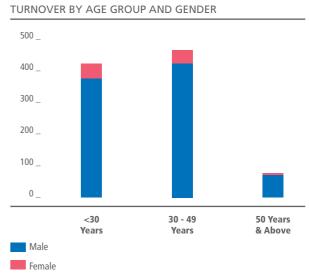




### MANPOWER DISTRIBUTION BY LOCAL/NON-LOCAL HIRE AND GENDER







# Manpower and Talent Attraction

Dedicated to building a robust and diverse talent pipeline to drive growth, Sembcorp Marine proactively taps on a number of channels to attract the best people.

Since the inception of the Group's scholarship programme, Sembcorp Marine has been awarding scholarships to outstanding students from vocational institutions up to the university levels. In 2012, 42 scholarships were given out while a total of 36 scholars joined the Group to begin exciting careers in the subsidiary yards.

In addition to full scholarships, Sembcorp Marine offers internships and industrial attachments for students to gain practical work experience and exposure to the Group's operations. About 212 students completed internships with Sembcorp Marine's yards in 2012. To attract more students to the opportunities available in the marine and offshore industry, the Group held a total of 13 career fairs and talks in collaboration with tertiary and vocational institutions in Singapore as well as hosted yard tours for more than 1,200 students during the year.



Sharing new insights with visiting tertiary students

Sembcorp Marine (SCM) continued to collaborate with learning institutions, paving the way for active knowledge sharing and technology transfer during the year. The Group and the Institute of Technical Education (ITE) have signed a Memorandum of Understanding in 2010 to further strengthen partnership in technical training and talent development. This involves the setting up of the ITE-SCM Marine Engineering and Quality Centre at the Institute's new College Central Campus. Scheduled for completion in 2013, the Centre aims to provide a fun and interactive learning space for students and stakeholders to gain new insights into the marine and offshore industry.

### **Career Development**

To ensure that the workforce has the right competencies and skill sets, Sembcorp Marine provides a diverse range of professional and personal development opportunities for employees, investing close to \$5 million on training in 2012. Each employee received an average of at least 40 learning hours in the year from structured programmes, such as technical-based and soft skills learning and development courses. On top of these, Sembcorp Marine also provides employees with a variety of learning platforms including on-the-job training, technical briefings, job rotation, mentoring programmes and practical attachments. Training opportunities are provided on the basis of job requirements and merit.



Employees from Jurong Shipyard commemorating their learning milestone during a team-building event.

#### nurturing people

#### Orientation for New Staff

All new staff undergo a comprehensive orientation course to familiarise them with Sembcorp Marine's eight core values, organisational profile, core businesses as well as human resource and corporate governance policies. Yard visits and safety induction courses are also compulsory for all newcomers so that they are aware of the Group's commitment to high standards of quality, productivity, safety and security. To be further immersed into the Group's safety culture, new employees also attend safety attachment programmes, ranging from a few days to three weeks, depending on their job requirements.

The yards organise compulsory training courses for staff in production and project management roles, prior to work commencement as required by the Workplace Safety and Health Act under the Ministry of Manpower. All newly hired engineers from Jurong Shipyard and Sembawang Shipyard have to complete technical competence programmes conducted by Ngee Ann Polytechnic, before embarking on any project.

#### Preparing Tomorrow's Leaders

Committed to building up the leadership pipeline and bench strength, the Group continues to invest in leadership development and talent management programmes. It has in place a broad-based talent management and succession planning framework to ensure continuity in key and critical positions of both business units and corporate functions. Beyond the first generation of successors, the succession planning process also grooms future leaders over the mid- to long-term. Managed at the Group level, the implementation of the framework is also reviewed by the Executive Resource and Compensation Board Committee.

To prepare the talents and successors for leadership roles, they attend Sembcorp Marine's leadership development programme which is developed and conducted in collaboration with local tertiary institutions such as the Singapore Management University and the Singapore



Leadership development programme to train talents and successors.

Institute of Management. About 400 management staff benefited from these customised leadership programmes in 2012.

### **People Retention**

Sembcorp Marine demonstrates its commitment to employees by acknowledging and rewarding them through a comprehensive compensation, benefits and recognition programme. Apart from offering competitive basic pay packages that commensurate with skills and experience, employees receive performance-linked incentives. These include annual salary increments, annual performance bonuses, incentive bonuses as well as equity-based reward plans.

The Group has a well-structured incentive and appraisal system, which effectively ties rewards to individual contribution and the Group's performance. The system also allows employees to discuss work achievements against targets, provide feedback as well as set future objectives with their supervisors. All full-time employees receive two performance and career development reviews annually.

A wide array of benefits is available for staff, including health and welfare benefits, group insurance plans, leave entitlements, tokens for occasions such as birthdays and newborns, subsidised lodging and transportation as well as contributions towards Central Provident Fund, a mandatory national social security savings plan enabling working Singaporeans and Permanent Residents to have a secure retirement in their old age. Employees on contractual terms are also accorded similar basic healthcare and leave entitlements as full-time staff although some incentives, such as variable compensation and added-on flexible benefits, may differ depending on their respective employment contracts.

Childcare leave, maternity leave and paternity leave constitute part of the employees' benefits, in line with Singapore's legislation. Up to six days of childcare leave is extended to employees if they have at least one child aged seven and below. The Group also provides paternity leave to all male employees in Singapore to encourage working fathers to care for their newborns. Of the 67 employees who took maternity leave in 2012, three left for personal reasons while the rest returned to the company during the year.

Appreciating employees' efforts has always been important at Sembcorp Marine. Employees who contribute in areas such as innovation, safety and quality are presented with special awards. In addition, the Group pays tribute to long-serving employees for their committed service and invaluable contributions. In 2012, long service awards were presented to 403 employees, of whom about half had served for at least 20 years.

Sembcorp Marine supports re-employability beyond the statutory retirement age of 62 under Singapore's Retirement and Re-employment Act. Valuing their knowledge and experience, the Group has been re-employing eligible employees even before the law was enforced. About 300 employees who were above the age of 62 were re-employed on an annual contract basis

during the year. The yards also organised talks for retiring employees to prepare them for a smooth transition to retirement.

#### Flexible Benefits

Providing choices for employees to manage their benefits, Sembcorp Marine launched a flexible benefits scheme for management staff across the Group in November 2012. On top of enjoying core insurance benefits to ensure adequate coverage in the event of untoward health situations, staff can choose from a wide selection of flexible benefits to best suit their needs and those of their families. These benefits include health screening, vacation travel, self-improvement courses, health club membership and childcare fees.

Flexible work options, including compressed work schedules, telecommuting and part-time work, are available to employees with specific health and work demands. These flexible work arrangements have helped in the recruitment and retention process, improved productivity as well as lowered absenteeism. The Group will continue to review and improve its range of programmes and benefits to provide employees with holistic care for their welfare and well-being.

### **Employee Engagement**

Sembcorp Marine aims to foster an open environment among employees through providing regular updates on the Group's developments, listening to feedback and encouraging innovative ideas. Committed to strong tripartite relations, the Group also works hand-in-hand with the unions to build a harmonious environment.

#### Engaging our People

To reach out to employees, the Group has established channels such as intranet portals, regular briefings, toolbox meetings, emails and company memos, complemented



Senior management and National Day Parade 2012 participants at the Group's appreciation dinner

by staff suggestion schemes and the Group and yard newsletters.

During the year, the yards continued to host informal management-staff dialogue sessions to ensure employees' views are always heard. Through company events, management from the yards also engage employees and encourage them to share their ideas and opinions.

As part of its staff engagement efforts, Sembcorp Marine rolled out the second Employee Satisfaction Survey in 2012. The survey provides employees an opportunity to feedback on the Group's policies and programmes as well as identify strengths and areas for improvement. A

total of 2,105 employees, or about 70 per cent of the target group of executives, participated in the survey.

The overall satisfaction level remained high, at about 86 per cent. For the next survey to be carried out in 2014, the Group is looking into engaging an external consultant to validate previous reports and better understand the drivers underlying employee satisfaction.

The Group regularly organises social and recreation activities including team-building events, retreats, nature walks as well as festive celebrations. These help to encourage bonding, foster greater interaction and deepen a sense of belonging among the employees from different job levels and business units.

#### nurturing people



Having an enjoyable time at a cricket tournament organised by Jurong Shipyard.

#### Foreign Workers' Welfare

The Group employs about 5,000 non-local workers to complement its workforce. To assimilate them into their new working environment, the yards provide workers with orientation programmes which include mandatory safety courses, English language lessons and intensive on-the-job training.

Welfare programmes are in place to take care of these workers. Working closely with their sub-contractors, the yards arrange transport and accommodation for the workers. Housed in Cassia@Penjuru, Avery Lodge and Alaunia Lodge, employees have access to basic accommodation and facilities such as a games room, open fields and courts as well as canteens

Wellness programmes, festive celebrations and sports activities are regularly held to build a sense of belonging and bonding among the workers. In close engagement with the staff, management representatives from the subsidiary yards often participate in these events to provide their support.

#### Labour and Union Relations

Sembcorp Marine respects all employees' rights to be members of trade unions and is guided by Singapore's Industrial Relations Act. As at end-2012, there were about 1,405 unionised members in the Group. Committed to achieving tripartite synergy, Sembcorp Marine's subsidiary yards and their unions actively engage in frequent dialogues and meetings concerning the benefits, safety and training opportunities for the Group's employees.

To continuously strengthen partnerships, the yards and their unions jointly held a number of events in 2012 including National Day Observance Ceremonies, recruitment drives, dinner and dance events and sports activities. The Group's efforts to foster union-management

cohesiveness were once again recognised in 2012. Mr Wong Weng Sun, Sembcorp Marine's President & CEO, was conferred the Medal of Commendation Award by the National Trades Union Congress for significantly championing good industrial relations as well as workers' workfare and welfare.

### **Active Healthy Living**

To create a nurturing and caring workplace, Sembcorp Marine's work-life strategy and programmes complement the human resource strategy and aim to help employees achieve total wellness and balanced lifestyles. In recognition of its efforts to foster work-life synergy, the Group was presented with the Work-Life Achiever



A great outdoor experience for SMOE's employees along the Southern Ridges trail



Jurong Shipyard employees having a good workout during a friendly futsal tournament.

Award by the Tripartite Committee on Work-Life Strategy. Jurong Shipyard and Jurong SML were also accorded the Singapore HEALTH Platinum Awards from the Health Promotion Board for valuing employees' health and well-being.

#### Health Matters

Events and sports activities are regularly organised to emphasise healthy and active living. The yards start the day with a daily five-minute exercise routine before work commencement. On a monthly basis, employees take part in mass workouts conducted by fitness instructors during ACTIVE (All Companies Together in Various Exercises) Days.

Encouraged to take control of their health, employees can enroll in a range of exercise classes offered by the shipyards including yoga, pilates and aerobics. They are also encouraged to work out at the gymnasiums available at the yards' premises. Various sporting and recreational activities are further organised by the yards ranging from mass participation in marathons to bowling and futsal competitions. These social platforms encourage employees to embrace active living and foster closer interaction.

Health-related talks are organised on a regular basis by the yards to promote greater awareness and understanding on a wide range of health issues. This year's health themes included exercising for fitness, managing high-risk illnesses, having balanced diets and relieving stress.

On the nutrition front, monthly treats of yoghurts or snacks were distributed to employees at Jurong Shipyard to encourage them to make smart food choices. Sembawang Shipyard and Jurong SML also organised healthy eating competitions to promote good dietary habits.



Healthy food choices for employees at Jurong SML.

#### Holistic Healthcare

Employees are provided with free medical consultations at clinics conveniently located at the yards. They can also seek treatment from a network of public hospitals or polyclinics. At Jurong Shipyard, subsidised medical care is extended to the Group's retired employees through a collaboration with Alexandra Hospital.



Staff receiving free annual health screenings at Sembawang Shipyard.

Partnering with established health institutions, the yards offered free preventive health screenings, stop-smoking programmes as well as chronic illness management programmes to enhance employees' awareness of these healthcare issues during the year. At the health check-ups organised by Jurong Shipyard and Sembawang Shipyard, employees took medical tests to check for chronic illnesses such as high cholesterol, high blood pressure, coronary heart disease, stroke, hypertension and diabetes. Staff at risk were put through intervention programmes for early treatment of medical conditions.

The yards' medical centres also work closely with Jurong Medical Centre and Khoo Teck Puat Hospital to offer a full range of employee services including direct referrals for specialist treatments, radiology, clinical measurements, faster treatment for industrial accidents as well as pandemic event support. Through these collaborations, employees can receive faster care and treatment as well as enjoy greater convenience and accessibility.

achieving sustainability

# workplace safety and security

Workplace safety and health (WSH) is a top priority for Sembcorp Marine and an integral part of how it conducts business and achieves operational excellence. The Group continues to improve its systems to identify, manage and reduce risks as well as to ensure compliance to both international and national standards, such as the OHSAS 18001 Occupational Health and Safety Management System and the Singapore Workplace Safety and Health Council's WSH 2018 plan.

- The Group won multiple accolades, including 18 awards at the national Workplace Safety and Health Awards 2012 and the International Sustainability Rating System Lifetime Achievement Award
- Enhancement of workplace safety and health programmes for employees and contractor partners to further raise occupational health and safety standards

#### Workplace Safety, Health and Security Stakeholders



### **A Structured System**

The Group's Safety Management System extends from the Sembcorp Marine Board Risk and Enterprise Risk Management Committees, down to the Group, yard, department and sub-trade levels. Top management representatives and Group-level strategy formulators join yard-level specialists to develop comprehensive, structured and robust systems to ensure the safety and well-being of the Group's 10,458 staff as well as contractors, clients, shipyard occupiers and other stakeholders.

Sembcorp Marine has four safety strategic thrusts which guide the Group's activities towards its vision of zero incidents. The Group monitors and evaluates each year's risk management performance against four severity parameters: 1) people; 2) assets and consequential loss; 3) environment; and 4) reputation. This assessment also identifies the five key risk areas which the Group will focus on for the following year.

The five key risk areas identified in 2012 were 1) falling from height; 2) falling objects; 3) material handling; 4) fire and explosion; and 5) equipment/material failure and damage. The Group responds by adapting the programmes in its strategic thrusts to address the identified key risks, thus ensuring that the WSH strategy remains responsive, relevant and effective.



Shipyard employees, safety officers, security personnel, medical staff, clients and contractors hold regular drills to ensure emergency-preparedness.

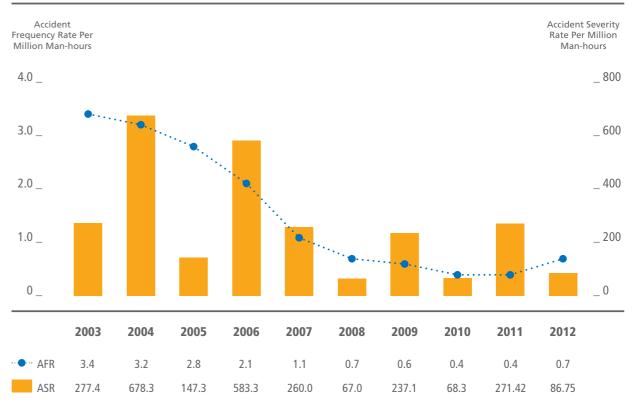
# **Safety Performance** in 2012

The Group's WSH performance, covering its employees and business partners, is monitored using several indicators. This enables the Group to continuously monitor and regularly assess the safety levels achieved by the yards during their operations.

The Group's Accident Frequency Rate (AFR), which measures the frequency of workplace incidents per million man-hours, was 0.70 in 2012.

The year's Accident Severity Rate (ASR), which indicates the number of man days lost per million man-hours in the workplace, was 86.75. In 2012, there was one fatality that involved an employee at Jurong Shipyard. The Group deeply regrets this loss of life. The yard has since revised the control measures for diving work and implemented them across the entire Group.

#### SEMBCORP MARINE'S SAFETY PERFORMANCE



The workplace injury rate (WIR), a record of workplace injuries that require more than three days of medical leave, was introduced last year to improve the Group's assessment and monitoring of safety standards in the workplace. This was 378.81 compared to 143.69 in 2011, 38 per cent of which was attributable to a jack-up rig incident in December 2012 (refer to page 7).

To ensure that shipyard operations are well-prepared to respond promptly to emergencies, the Group and its yards conducted 172 drills which involved all five identified groups of stakeholders. These drills covered a wide range of areas, from evacuation and rescue scenarios to pollution control, yard security threats and business risk drills.

### **Group Health, Safety and Environment**



Workforce Skills Qualifications capability training to raise WSH competence.

# Continuous Enhancement in HSE Competencies & Capabilities

To create and foster an internalised safety culture including proactive risk management and shared ownership by all stakeholders.

#### **Activities include:**

- Bi-monthly and quarterly meetings by representatives in the Group HSE Committee that manage the deployment of WSH strategy at various levels.
- Workforce Skills Qualifications capability training by the WSH Council, higher learning institutes and other Ministry of Manpower-accredited training providers to raise HSE competencies across 13 specialist trades.
- Annual safety innovation competitions by the yards for employees and contractor partners to develop process and equipment solutions that improve safety and efficiency.



Interactive engagement platforms to nurture a cohesive WSH culture

### **Involvement & Support from Stakeholders**

To increase the connectivity and communication networks to enhance outreach to all relevant stakeholders through promotion activities and an information sharing portal.

#### **Activities include:**

- Increased efforts to identify and bridge the gaps in safety management systems between the yards and their contractor partners, with trials planned for 2013 to include changes to the audit systems and on-site inspection guidelines.
- Regular formal and informal interaction platforms for senior management and operations personnel to interact and stay connected with contractor partners and clients.
- Proactive inclusion of contractors, clients, shipyard occupiers and other relevant stakeholders in WSH enhancement activities such as training programmes and emergency drills.

### (HSE) Strategic Thrusts

# **Building up Commitment & Leadership Towards Better WSH Culture**

To encourage innovation in promoting safety and health continuous assessment to ensure the competencies of stakeholders are of the highest standards.

#### **Activities include:**

- Best HSE Practices Manual developed and improved by the Group's yards.
- HSE Officers Inter-yard Exchange Programme which ensures and enhances Group-level knowledge sharing and best practices.
- Yard and inter-yard quizzes, and competitions on WSH-related topics.
- Workshops and talks on topics such as occupational health, chemicalhandling safety and noise-induced deafness, often in collaboration with health authorities or clients.
- Prominent visual reminders around the yards to engage shopfloor operators.
- Daily reminders and work safety highlights during morning toolbox briefings and work meetings.



Reinforcing the message that safety is everyone's responsibility with events that involve shipyard employees, contractor partners and clients.

# Improvements in Risk & Safety Management Systems

To develop and enhance the HSE management system through the development of benchmarking and statistical tools, incident reporting and continuous improvement.

#### **Activities include:**

- Review, Educate & Validate (REV) programme used by the yards and their contractor partners to address key risk areas such as falling from height, materials handling and equipment failure.
- Alignment of the Group's Focused Risk Intervention Programme to ASMI's 2015 Work Plan initiatives, in collaboration with WSH Council, covering areas such as safety during confined space operations, work-at-height safety operations and lifting processes.
- WSH Council's bizSAFE five-step programme to guide contractor partners towards integrated risk management.



Regular WSH audits to assess and mitigate workplace risks.

#### workplace safety and security



Engaging contractor partners for a cohesive WSH culture.

# Reward and Recognition Programmes

The Workplace Safety and Health Awards is an annual event organised by the National Workplace Safety and Health Committee to recognise organisations and individuals from a range of industries who have contributed to achieving WSH excellence. The Sembcorp Marine Group was recognised with a total of 18 awards in five categories (see pages 76 & 78 for list of awards). The shipyards clocked over 16.5 million man-hours without lost-time incidents from the 11 projects which won WSH Performance Awards (Safety and Health Award Recognition for Projects). In addition to five awards honouring the yards' innovation and safety processes, there were also two individual safety awards.

In addition, all of the Group's shipyards adopt a structured system of in-house recognition and incentive-driven programmes to encourage good safety performance and build a safety-oriented culture, such as safety performance awards as well as merit and demerit point systems.



Exchanging safety best practices during a visit by the Ministry of Manpower's senior officials and internationally renowned work-at-height practitioners

The shipyards periodically update these programmes to ensure that the Group continues to champion WSH's evolving requirements. The revamped and new programmes that were launched in 2012 include:

- HSE Excellence Award An award for contractors who achieve zero incidents in a continuous period of six months.
- HSE STAR Award An extension of the above award to recognise contractor partners who achieve zero incidents for 12 months.
- WSH Best Supervisor Supervisors who go the extra mile to promote and champion workplace safety and health excellence.

- WSH Best Worker To recognise employees who are role models with exemplary safety records and who actively promote a safe work culture.
- Hazard Reporting Programme Encourages and rewards workers to spot and rectify potentially unsafe work conditions. In addition to providing a positive platform for workers to mitigate risk, the programme cultivates proactive ownership of WSH responsibility.

### **WSH** in the Community

The Group supports events and platforms that promote the exchange of WSH knowledge and expertise, such as the National WSH Campaign organised by the Workplace Safety and Health Council. The programme extends beyond the marine and offshore industry to promote workplace safety and health in different work sectors of Singapore. In 2012, Sembcorp Marine was also a key supporter of the National WSH Conference, a regional platform to share and network with workplace safety and health professionals and decision makers.

Sembawang Shipyard, which has incorporated the International Sustainability Rating System (ISRS) in its operations and safety management over the last 20 years, received the ISRS Lifetime Achievement Award in recognition of its HSE excellence efforts. The ISRS is a system developed by the international audit classification society, Det Norske Veritas, to assess, improve and demonstrate the health of an organisation's business process. It utilises a range of well-established tools to develop, train, implement and audit an organisation's safety and sustainability management. The yard also shared its journey towards HSE excellence with the ISRS community at the 5th International ISRS Conference during the year.

Sharing workplace safety and health best practices across borders, Sembcorp Marine and Jurong Shipyard played host to internationally renowned work-at-height practitioners and senior officials from the Ministry of Manpower. Besides exchanging information on new WSH standards and technology, the sharing session included a hands-on display on the practical use of personal protective equipment as well as an on-site demonstration of work-at-height safety in the marine and offshore industry.

# **Shipyard and Community Security**

Sembcorp Marine and its shipyards comply with the International Ship and Port Facility Security Code, a comprehensive and standardised framework to evaluate the risks associated with the vulnerability of ships and port facilities as well as to mitigate the risks through the corresponding security measures.

The shipyards are also part of their community Security & Safety Watch Group, a platform for businesses to engage in dialogue and formulate security measures with Home Team agencies such as the Singapore Police Force and the Singapore Civil Defence Force. During the year, Jurong Shipyard continued to hold joint exercises with neighbouring companies on terrorist and hostage situation scenarios as part of efforts to ensure vigilance and emergency preparedness.



Sharing insights on shipyard security excellence.

# protecting the environment

Sembcorp Marine and its shipyards recognise the importance of managing the environmental impact of their operations as responsible corporate citizens. The Group also adopts a proactive approach in promoting a culture of environmental consciousness.

Each yard aligns its Environmental Management System to meet the requirements of Singapore government agencies such as the National Environment Agency and the Maritime Port Authority of Singapore. Sembawang Shipyard and SMOE are additionally certified to ISO 14001 Environmental Management Standards. These structured environmental management systems cover all aspects of the Group's business, extending beyond employees, partners and clients to the local community.

- Implemented eco-friendly initiatives and programmes during the year
- The Group continues to foster a green mindset amongst employees, clients and the community
- Reduced environment impact through energy saving and air quality management initiatives



SMOE refitting workshops with energy-efficient LED lights

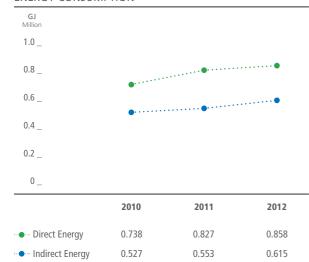
### **Energy Management**

The Group sources its electricity from the national energy grid, which comprised a combination derived from 78 per cent natural gas, 18 per cent petroleum products and 4 per cent others\*. The Group's usage rose by 11 per cent in 2012, mostly attributable to an increase in projects. Diesel, primarily used as a fuel to generate remote power for operations in locations that are less accessible, increased slightly by 3.7 per cent. The Group consumed a total of 1,472,899 GJ of energy powered from both diesel and electricity.

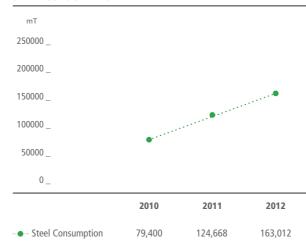
In 2012, SMOE embarked on a project to replace its workshops' flood light illumination with low-energy Light Emitting Diode (LED) lighting. A trial in its maintenance workshop, which consisted of 50 units of bulb refits, recorded an estimated 75,555 kWh savings in electricity for the year, a nearly 60 per cent decrease in consumption. The project will be extended across its other workshops throughout 2013. Jurong SML also plans to complete its LED replacement programme in 2013.

<sup>\*</sup> Figures as referenced from "Energising Our Nation: Singapore Energy Statistics 2012", pg 15: Fuel Mix for Electricity Generation 2011, Research and Statistics Unit, Energy Market Authority, Republic of Singapore.

#### **ENERGY CONSUMPTION**



#### STEEL CONSUMPTION



Note: Figures have been revised to reflect improved data sources from PPL Shipyard and SMOE.

Jurong Shipyard accelerated efforts last year to upgrade and promote usage of its video conferencing facilities to cut down on business travel and its resulting carbon footprint. Besides increasing business efficacy across the international business units, it enabled the yard to better engage customers and other business partners.

### **Materials Management**

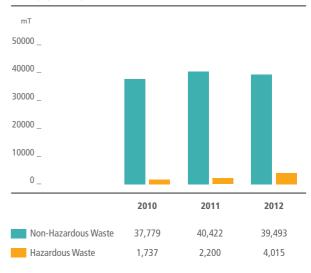
Steel is the most significant raw material consumed by the marine and offshore industry. In 2012, the Group's steel consumption rose 31 per cent from 124,668 mT to 163,012 mT due to the demands of its newbuilding projects.

Shipyard operations produce several types of waste which the Group classifies into recyclable, hazardous and nonhazardous. The two largest components of recyclable waste comprise 1) scrap steel – cuts from steel sheets and pipes that cannot be used after the necessary has been extracted; and 2) copper grit – an abrasive used to blast clean, prepare and treat steel surfaces during repair and newbuild projects.

It is mandatory for all of the Group's disposal contractors to be licensed by the Singapore National Environment Agency which accedes to the Basel Convention – a comprehensive global environmental agreement on the control of transboundary movement of hazardous waste.

Hazardous waste is typically a by-product of ship repair jobs where waste is flushed out of vessels that arrive in the yards for maintenance and repair works. The product is then disposed by licensed waste contractors who are required to be certified by Singapore's National Environment Agency.

#### TYPES OF WASTE



Note: Figures exclude PPL Shipyard, where waste disposal volume was not tracked through its outsourced licensed disposal vendors.



Steel is an important resource for the industry.

### **Green Activities**

Developing **Innovative** Green **Solutions** 



Collaborations with research institutes to develop green technologies.



Research into environmentally-friendly water ballasting systems for ships.

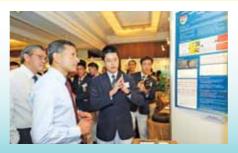


Development of Land-based Energy Management System (LEMS).

Nurturing a New Generation of **Green Minds** 



Sembcorp Marine's annual Green Wave Environmental Care Competition, organised by subsidiary Sembawang Shipyard, aims to promote green awareness among the young generation.



Through this competition, students are encouraged to harness their creativity and develop innovative green solutions for environmental care and protection.



The Green Wave competition receives strong support from governmental and environmental bodies, environmentalists, educational institutions and environmentally-minded individuals.



A Greener Today for a Sustainable Future ...



Employees contribute to the community with clean-up activities.



Nurturing a sustainable future with trees.



Landscaped spaces in the shipyards contribute to cleaner air.



# **Care For The Environment**



Spent copper slag used during blasting is recycled and upcycled into concrete pavers by the recycling plant of subsidiary JPL Industries.



Enclosed blasting and painting chambers limit airborne particles.



Recycling is made easy and accessible with well-placed facilities.





Reclaimed water used for operational activities reduces the consumption of the precious natural resource.



Storage tank adapted for NEWater reclaimed water in shipyard premises.



Water flow is moderated by flow restrictors.





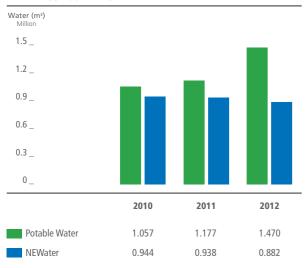
Clear skyroof panels in workshops to minimise need for artificial light.



Environmentally-friendly energy-saving lights are used instead of mercury bulbs.

#### protecting the environment

#### WATER CONSUMPTION



Note: Sembawang Shipyard and SMOE, which share the same premises, as well as PPL Shipyard are only supplied with potable water due to infrastructure limitations.

Non-hazardous waste such as wood or general rubbish is disposed of by disposal contractors via recycling, treatment or waste-to-energy incineration.

# **Water Management**

The Group obtained a total of 2,352,320.60m³ of water last year from the Singapore Public Utilities Board (PUB) which in turn derives its supply from four major sources: local rainwater catchment, desalinated water, imported water and NEWater – a high-grade reclaimed water. This was an 11 per cent increase from 2011. The Group's 2012 usage consisted of 62 per cent potable water and 38 per cent NEWater. The Group encourages the use of reclaimed water for shipyard activities where possible.

GHG emissions	2010	2011	2012
From direct energy use (diesel)	49,062 tCO <sub>2</sub> e	54,980 tCO <sub>2</sub> e	56,803 tCO <sub>2</sub> e
From the consumption of liquefied gases*	72,499 tCO₂e	204,178 tCO <sub>2</sub> e	215,498 tCO <sub>2</sub> e
From indirect energy use (electricity)**	73,804 tCO₂e	79,231 tCO₂e	87,948 tCO <sub>2</sub> e
Total	195,365 tCO <sub>2</sub> e	338,389 tCO <sub>2</sub> e	360,249 tCO <sub>2</sub> e

<sup>\*</sup> Liquefied gases used in shipyard operations such as welding and cutting include LPG, LNG, CNG, CO<sub>2</sub>, Acetylene

# **Air Quality Management**

The Group's carbon emissions for 2012 rose slightly by 0.06 per cent from 338,389 tCO<sub>2</sub>e last year. Liquefied gases, the largest contributor, accounted for 60 per cent.

The Group's enclosed blasting and painting workshops have increased over the years and it is mandatory for all open blasting areas to be sheltered with canvas or netting to minimise airborne particulates. In addition, ISO 14001-certified Sembawang Shipyard and SMOE practise the policy of ceasing outdoor blasting work if wind speeds in the work area exceed eight knots.

Sembawang Shipyard and SMOE additionally monitor the perimeter air quality on a daily basis utilising the Particulate Matter (PM-10) standard as part of their environmental management system. The PM-10 standard is set by the United States Environment Protection Agency (US EPA) to measure air particulates. Such measures, in addition to the other environmental discharge mitigation procedures and programmes implemented by the yards, are part of a holistic approach to manage and control environmental impact on the local community, employees, customers and other stakeholders.

The shipyards work to continuously provide and promote a wider range of environmentally-friendly options to clients. Ship owners are encouraged to use blasting alternatives to traditional copper grit such as hydrojet services or steel/garnet abrasives; or consider the use of specialised equipment that combine the processes of blasting and abrasive-vacuuming. Efforts such as these reduce the impact of the steel treatment operations on air quality.



Liquefied gases are used for operations such as cutting and welding.

<sup>\*\*</sup> Figures have been updated according to Energy Market Authority's revision of Singapore's historical Electricity Grid Emission Factors. Source: National Environment Agency press release: Information on Emission Factors (20 April 2012)

# **Promoting Environmental Consciousness**



Staff making terrariums for the young beneficiaries of the Children's Cancer Foundation

To further enhance its line of green maritime solutions for shipowners, Sembcorp Marine's Sembawang Shipyard is working closely with Ecospec Global Technology (Ecospec) in the research and development of innovative environmental technologies, including emission abatement systems, water treatment systems and corrosion control systems.

Sembawang Shipyard and Ecospec, in which the Group owns a 20 per cent stake, are currently developing a new generation of the Emission Abatement System and the Ballast Water Treatment System, which are systems geared to meet future maritime regulatory requirements affecting ships trading in the Emission Control Area.

Ecospec currently owns several technology patents – including CSNOx, the world's first emission abatement technology capable of removing sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NOx) and carbon dioxide (CO<sub>2</sub>) in one system; BioMag, a bio-fouling control system; ElMag,

a corrosion control system; and ScaMag, an ultra-low frequency electronic boiler water treatment system. These technologies are poised to further complement and enhance Sembawang Shipyard's competitive edge in this specialised market.

Sembcorp Marine together with its subsidiaries JPL Industries and Sembawang Shipyard joined the National Environment Agency in generating environmental awareness during the government agency's 10th anniversary activities. Besides helping to raise \$460,000 for the Children's Cancer Foundation (CCF), the Group co-sponsored and made terrariums which were presented to children with cancer under the care of the CCF.

The Group continues to nurture green awareness in the young generation through Sembawang Shipyard's Green Wave Environmental Care Competition, a platform that encourages students to explore innovative ideas and creative solutions to address environmental issues. This year's competition drew 269 entries from 1,000 students across schools in Singapore. Besides the financial rewards, the top teams from the Tertiary, Junior Colleges and ITE categories also had opportunities for development attachments at Sembawang Shipyard as well as its customer partners Shell International Trading and Shipping Company Limited and BP Shipping, the long-term sponsors of the Green Wave Competition. Since its launch in 2003, the annual competition continues to successfully engage an increasing number of schools and students.

In 2012, Jurong SML further strengthened partnerships with companies in the vicinity through its participation in the Neighbourhood Environmental Safety & Health Committee, an initiative by Exxon Mobil to promote closer collaboration and knowledge sharing in the areas of health, safety and environment.



Sembcorp Marine receiving a token of appreciation for supporting the National Environment Agency's green initiatives.

# caring for the community

Sembcorp Marine demonstrates its ongoing commitment as a responsible corporate citizen through its steadfast support of educational causes, active involvement in the community, promotion of the arts, care for the environment as well as industry engagement efforts.

These key areas were central in the Group's community investment of close to \$2.2 million in cash and in-kind support in 2012. The green initiatives by Sembcorp Marine are covered in the Protecting the Environment section.

- SchoolBAG programme contributed \$315,350 to 1,578 needy students from 85 schools during the year
- Sixth consecutive sponsorship and participation in National Day Parade
- Continued strong support of industry outreach and development programmes



Sembcorp Marine showcases its commitment to Singapore during National Day Parade.

# **Education to Open Doors**

Sembcorp Marine believes in helping children and youths realise their potential and fulfill their aspirations through education. Besides providing financial assistance through the School Book Assistance Grant (SchoolBAG) programme, a key community initiative by the Group to help needy students, Sembcorp Marine continues to extend financial help to children of employees in need of assistance.

During the year, Jurong Shipyard and Sembawang Shipyard awarded 47 bursaries, amounting to \$45,000. Staff from across the subsidiary yards also supported the Group's efforts to help less privileged students in Singapore by giving monthly contributions to the education assistance programmes of four self-help groups in Singapore. These groups are the Chinese Development Assistance Council, Yayasan MENDAKI, the Singapore Indian Development Association and the Eurasian Association.

The Group also encourages and supports academic excellence by awarding scholarships and bursaries to deserving recipients. A total of 47 scholarships were given out by the Group in 2012 to employees and students from tertiary institutions. Chosen for their academic and co-curricular performance, the outstanding student recipients were from the National University of Singapore, Nanyang Technological University, Ngee Ann Polytechnic, Singapore Polytechnic, Singapore Institute of Technology and Institute of Technological Education.

# **SchoolBAG Programme**

he School Book Assistance Grant (SchoolBAG) programme is a key initiative under the Group's Community Care and Responsibility Programme. It was launched in 2001 to reach out to children from financially disadvantaged families by helping to supplement their basic education needs. Besides subsidising the cost of basic school supplies such as textbooks, uniforms and stationery, the SchoolBAG grants can be extended to fund enrichment activities to augment students' holistic development. The scheme is open to primary and secondary school students as well as youths from the junior college, pre-university and Institute of Technical Education levels.

In 2012, the Group and its subsidiaries gave out \$315,350 to help 1,578 needy students from 85 schools. This brings the total amount of SchoolBAG grants disbursed since its founding to more than \$2.79 million. With the funding, Sembcorp Marine has benefited nearly 14,000 children and youths over the years.



Sembcorp Marine presented \$315,350 in SchoolBAG grants to needy students during the year.



Children from Students Care Service (Yishun Centre) having a fun time with volunteers from Sembawang Shipyard.

# Helping Hand for the Needy

Sembcorp Marine makes a difference to the community by supporting numerous fundraising activities and campaigns in collaboration with partners. In 2012, the organisations which benefited from the Group's donations included Kwong Wai Shiu Hospital, Institute of Mental Health, Manjusri Library, Canberra Consultative Committee, NTUC-U Care Fund, Tan Tock Seng Hospital Community Charity Fund and Lions Befrienders.

To improve the well-being of the less fortunate, Sembawang Shipyard continues to match its employees' monthly contributions dollar-for-dollar, supporting the Community Chest of Singapore as a Corporate SHARE (Social Help and Assistance Raised by Employees) partner company. In 2012, a total of \$44,247 in cash contributions were extended to the charity organisation's beneficiaries.

#### caring for the community



Marking Sembawang Shipyard's 11 years of continued support for the Students Care Service (Yishun Centre).

As a long-standing partner of Students Care Service (Yishun Centre) since 2002, Sembawang Shipyard has backed the Centre's efforts in providing financial assistance to student beneficiaries from underprivileged families as well as helping those with special needs. During the year, the yard supported the Centre's participation in the Carnival of Drums, a fundraising performance showcasing different cultural drums at Marina Bay. Beyond corporate giving, the yard's staff also offered their care and time to bring cheer to the Centre's beneficiaries by organising interesting and fun-filled activities during the annual U.Me Christmas party. Employees at Jurong Shipyard also brought joy to elderly residents at Bethany Nursing Home by presenting them with gifts during festive occasions.

Sembcorp Marine makes a difference to the community by supporting numerous fundraising activities and campaigns in collaboration with partners.

### Service to the Nation

As part of its contributions to the community, Sembcorp Marine is also committed to supporting significant national events. The Group was once again proud to be a major sponsor of the 2012 National Day Parade for the sixth consecutive year. Besides this sponsorship, more than 50 staff volunteers also represented the Group as a marching contingent during the parade and ceremony segment. Held at the Marina Bay Floating Platform, which was built by the Group in 2007, the parade was a memorable celebration for all Singaporeans which featured spectacular displays and delightful performances.

# **Support for the Arts**

As a corporate patron of the Marsiling Chinese Orchestra, Sembcorp Marine continued the second term of its three-year sponsorship of the musical group. Aimed at promoting the appreciation of Chinese cultural music, the orchestra held a series of successful public performances during the year. Enriching Singapore's heritage and cultural development, the Group also supported the National Heritage Board's fundraising Gala Dinner held in support of the Peranakan Museum, operating under the Asian Civilisations Museum.

# **Industry Outreach** and **Advancement**

Through active involvement in various business and community initiatives, Sembcorp Marine seeks to raise the profile of Singapore's marine and offshore industry and spur further collaboration between stakeholders. The Group supports industry development through a range of initiatives that include attracting talents to the sector, industry promotion in local and international platforms, sharing knowledge through dialogues and events as well as hosting delegates and students at the yard facilities.



Marketing the Group's capabilities and facilities at the Offshore Technology Conference in the United States.

Sembcorp Marine's subsidiary yards successfully showcased their breadth of capabilities at the Offshore Technology Conference (OTC) in the United States, a leading industry exhibition attended by close to 90,000 visitors. Marking the Group's eighth successful participation in OTC, Sembcorp Marine held a corporate reception for the first time during the OTC week, in celebration of its strong partnerships with customers and key partners. The yards also made an impactful presence and expanded business networks at other international exhibitions including the Posidonia exhibition in Greece and the Shipbuilding, Machinery & Marine Technology International Trade Fair in Germany.

During the year, the Group continued to strengthen ties with government agencies such as International Enterprise (IE) Singapore, Economic Development Board, Ministry of Manpower, National Environment Agency and Singapore Productivity Board as well as trade associations and industry partners including Association of Singapore Marine Industries, National Safety and Security Watch Group, Singapore Business Federation, Singapore First Aid Training Centre, Singapore International Chamber of Commerce, Singapore Maritime Foundation, Singapore



Introducing the Group's safety practices to a delegation of overseas students.

National Employers Federation as well as the Society of Naval Architects and Marine Engineers (Singapore). The Group also worked closely with tertiary institutions such as the Institute of Technical Education, Nanyang Technological University, National University of Singapore and SIM University in reaching out to students and nurturing future talents.

The Group and its yards supported and participated in various training courses, knowledge exchange forums, dialogue sessions, research collaborations, award presentations as well as networking activities held by these organisations. A key industry outreach event in 2012 was the Amazing Maritime Challenge, an awareness programme jointly organised by the Maritime

and Port Authority of Singapore, the Singapore Maritime Foundation, the Singapore Shipping Association and the Association of Singapore Marine Industries. A total of 40 teams from the Group's subsidiary yards took part in the event, which saw participants engage in a series of fun maritime-themed games.

Sharing and learning best practices, the Group's employees participated in various industry conferences and events. Mr Wong Weng Sun, Sembcorp Marine's President & CEO, was among the few distinguished guest speakers invited to share words of advice and strategies for success at a Commencement Ceremony attended by about 2,700 Engineering School graduands of the National University of Singapore in July 2012. Management representatives



Updating senior Ministry of Manpower officials on the Integrated Tuas New Yard developments.

also presented their knowledge and expertise during other forums including the 5th ISRS Conference organised by Det Norske Veritas. The Group's research collaborations with higher learning institutions are described in the Enhancing Competitiveness section.

Sembcorp Marine was a key sponsor of IE Singapore's 9th Latin Asia Business Forum which aims to boost bilateral ties between Latin America and Singapore. The one-day event, presided by Guest-of-Honour Mr Lim Hng Kiang, Minister for Trade and Industry, saw industry leaders and participants gathering for a fruitful time of learning and exchange to foster investments and trade opportunities between the two regions.

Well-recognised as a leading global player in the marine and offshore industry, the Group and its yards hosted visitors including government officials, students and partners from Hong Kong, Japan, Malaysia and Singapore during the year. Through the corporate presentations and yard tours, the visits provided insights into the marine and offshore industry as well as the Group's capabilities.

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2.2	Primary brands, products, and/or services	Fully	Corporate Vision & Profile	1					
2.3	Operational structure of the organisation	Fully	Corporate Structure	46					
2.4	Location of organisation's headquarters	Fully	Corporate Directory	47					
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2.6	Nature of ownership and legal form	Fully	Corporate Directory	47					
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2.8	Scale of the reporting organisation	Fully	Corporate Vision & Profile	1					
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2.10	Awards received in the reporting period	Fully	Awards & Accolades	78-79					
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3.2	Date of most recent previous report	Fully	Managing Sustainability	16					
3.3	Reporting cycle	Fully	Managing Sustainability	16					
3.4	Contact point for questions regarding the report or its contents	Fully	Managing Sustainability	19					
3.5	Process for defining report content	Fully	Managing Sustainability	16-19					
3.6	Boundary of the report	Fully	Managing Sustainability	16-19					
3.7	Limitations on the scope or boundary of the report	Fully	Managing Sustainability	16-19					
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	Fully	Managing Sustainability	16-19					
3.9	Data measurement techniques and the bases of calculations	Fully	Nurturing People Workplace Safety & Security Protecting the Environment	90-97 98-103 104-109					
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement	Fully	Managing Sustainability Protecting the Environment	19 105-108					
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	Fully	Nil	-					
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	GRI Index	114-118					
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	Managing Sustainability	19					
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4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	Corporate Governance	31
4.3	Members of the highest governance body that are independent and/or non-executive members	Fully	Board of Directors	20-23
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	Corporate Governance Risk Management Nurturing People	26-35 36-39 91, 95
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's performance	Fully	Corporate Governance Nurturing People	26-35 94
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Corporate Governance	26-35
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees	Fully	Corporate Governance	26-35
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Corporate Vision & Profile Core Values, Certifications Managing Sustainability Nurturing People Workplace Safety & Security Protecting the Environment	1 14-15 16-19 90-91 98, 100-101 104
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance	Fully	Corporate Governance Managing Sustainability Risk Management	26-35 16-19 36-39
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Fully	Corporate Governance Risk Management	26-35 36-39
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Fully	Managing Sustainability	16-19
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Fully	Certifications Managing Sustainability Corporate Governance Enhancing Competitiveness Nurturing People Workplace Safety & Security Protecting the Environment	15 16-19 26-35 85 91 98, 103 104
4.13	Memberships in associations	Fully	Caring for the Community	112-113
4.14	List of stakeholder groups engaged by the organisation	Fully	Managing Sustainability	17
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	Managing Sustainability	18
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Managing Sustainability Investor Relations Enhancing Competitiveness Nurturing People Workplace Safety & Security Protecting the Environment Caring for the Community	17 40-43 84-89 90-97 98-103 104-107 110-113
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Fully	Managing Sustainability Corporate Governance Risk Management Financial Review Enhancing Competitiveness Nurturing People Workplace Safety & Security Protecting the Environment Caring for the Community	16-19 26-35 36-39 48-61 84-89 90-97 98-103 104-109 110-113

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Economic	Management Approach	Economic Per	formance 1, 4-7, 48-61, 94, 110			
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Economic performance						
EC1	Direct economic value generated and distributed, including revenues, costs, employee compensation, donations, retained earnings, and payments to capital providers and governments	Fully	Financial Review Caring for the Community	48-61 110		
EC3	Coverage of the organisation's defined benefit plan obligations	Partially	Nurturing People	94		
Environmental Management Approach Management Approach Materials 105; Energy 104-105; Water 108; Emissions, effluents and 108-109; Compliance 116						
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EN1	Materials used by weight or volume	Fully	Protecting the Environment	105		
Energy						
EN3	Direct energy consumption by primary energy source	Fully	Protecting the Environment	104-105		
EN4	Indirect energy consumption by primary source	Fully	Protecting the Environment	104-105		
EN5	Energy saved due to conservation and efficiency improvements	Partially	Protecting the Environment	104-105		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Fully	Protecting the Environment Enhancing Competitiveness	104-105 88		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Fully	Protecting the Environment	104-105		
Water						
EN8	Total water withdrawal by source	Fully	Protecting the Environment	108		
Emissions, effluents ar	nd waste					
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	Protecting the Environment	108		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partially	Protecting the Environment	108-109		
EN22	Total weight of waste by type and disposal method.	Partially	Protecting the Environment	105, 108		
EN23	Total number and volume of significant spills	Fully	No significant spills took place dur	ing the reporting period.		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Fully	Protecting the Environment	105		
Compliance						
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Fully	No significant fines or sanctions reporting per			
Social: Labour Practices and Decent Work	Management Approach	health & safe	90, 91; Labour/Management relations ty 85-86, 98, 100-101; Training and edu portunity 90-91			
GRI Indicator Descripti	on	Reported	Annual Report Sections	Page Reference		
Employment						
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Fully	Nurturing People	91-92		
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Partially	Nurturing People	92		

	GLOBAL REPORTING INITIATIVE (GRI) G3.1 CONTENT IN	IDEX		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Fully	Nurturing People	94
LA15	Return to work and retention rates after parental leave, by gender	Fully	Nurturing People	94
Labour/management r	relations			
LA4	Percentage of employees covered by collective bargaining agreements	Fully	Nurturing People	96
Occupational health a	nd safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Fully	Workplace Safety & Security	98
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	Partially	Workplace Safety & Security	99
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Fully	Nurturing People Workplace Safety & Security	96-97 101
LA9	Health and safety topics covered in formal agreements with trade unions	Fully	Nurturing People Workplace Safety & Security	96-97 101
Training and education	n			
LA10	Average hours of training per year per employee by gender, and by employee category.	Partially	Nurturing People	93-94
LA11	Programmes for skills management and lifelong learning for continued employability of employees	Fully	Nurturing People	93-94
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Fully	Nurturing People	94
Diversity and equal op	portunity			
LA13	Composition of governance bodies and breakdown of employees by gender, age group, minority groups	Fully	Nurturing People	91-92
Social: Human Rights	Management Approach	Non-discrimir labour 91	nation 91-94; Child labour 91; Preventio	on of forced/compulsory
GRI Indicator Descripti	on	Reported	Annual Report Sections	Page Reference
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken	Fully	Nurturing People	91
Child labour				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Fully	Nurturing People	91
Forced and compulsor	y labour			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Fully	Nurturing People	91
Social: Society	Management Approach		nities 110-113, 108; Corruption 34, 39; 8; Compliance 118	Anti-competitive
GRI Indicator Descripti	ion	Reported	Annual Report Sections	Page Reference
Local communities				
SO1	% of operations with implemented community engagement, impact assessments, development programmes	Partially	Caring for the Community	110-113
SO9	Operations with significant potential or actual negative impacts on local communities	Partially	Protecting the Environment	108
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Partially	Protecting the Environment	105-109

	GLOBAL REPORTING INITIATIVE (GRI) G3.1 CONTENT	INDEX			
Corruption					
SO2	Percentage and total number of business units analysed for risks related to corruption	Fully	Risk Management	39	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Fully	Risk Management	39	
SO4	Actions taken in response to incidents of corruption	Fully	Risk Management	39	
Anti-competitive beha	viour				
SO7 Number of legal actions for anti-competitive behavior, anti-trust, monopoly practices and their outcomes Fully No significant legal actions took place during the period.					
Compliance					
808	Value of significant fines and number of non-monetary sanctions for non-compliance with laws & regulations	Fully	No significant fines or sanctions tool	c place during the period.	
Social: Product Responsibility	Management Approach	Customer hea	alth and safety 85, 100-101; Product an	d service labelling 84	
GRI Indicator Description	on	Reported	Annual Report Sections	Page Reference	
Customer health and s	afety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Enhancing Competitiveness Workplace Safety & Security	85 100-101	
Product and service lab	pelling				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Fully	Enhancing Competitiveness	84	

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#### **General Information**

#### **Directors**

Goh Geok Ling Chairman

Wong Weng Sun President and CEO

Richard Hale, OBE (Retired on 20 April 2012)

Ajaib Haridass Tang Kin Fei

Ron Foo Siang Guan

Lim Ah Doo

Koh Chiap Khiong

Tan Sri Mohd Hassan Marican

#### **Joint Company Secretaries**

Tan Yah Sze

Kwong Sook May

#### Registrar

KCK Corpserve Pte Ltd 333 North Bridge Road #08-00 KH Kea Building Singapore 188721

#### **Registered Office**

29 Tanjong Kling Road Singapore 628054

#### **Auditors**

KPMG LLP

Audit Partner

Tan Wah Yeow (Appointed since 2008)

### **Directors' Report**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2012.

#### **Directors**

The directors in office at the date of this report are as follows:

Goh Geok Ling Chairman

Wong Weng Sun President and CEO

Ajaib Haridass Tang Kin Fei

Ron Foo Siang Guan

Lim Ah Doo

Koh Chiap Khiong

Tan Sri Mohd Hassan Marican

#### Directors' interests in shares, share options and debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Description of interests	Shareholdings regist in the name of direct sts period spouse or infant chil				rector, which the director is d		
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Goh Geok Ling								
Sembcorp Marine Ltd	Ordinary shares	_	293,040	335,540	335,540	-	_	_
	Conditional award of 22,000 restricted shares to be delivered after 2009 (Note 3a)	-	11,000	_	-	-	_	_
	Conditional award of 29,000 restricted shares to be delivered after 2010 (Note 4a)	_	29,000	14,500	14,500	-	_	_
Sembcorp Industries Ltd	Ordinary shares	_	484,320	503,874	503,874	47,000	47,000	47,000
	Conditional award of 13,700 restricted shares to be delivered after 2009 (Note 3b)	-	4,474	_	-	-	_	_
	Conditional award of 13,700 restricted shares to be delivered after 2010 (Note 4b)	-	10,960	5,480	5,480	-	_	-
Wong Weng Sun								
Sembcorp Marine Ltd	Ordinary shares	_	2,392,584	2,730,084	2,730,084	_	_	_
	Conditional award of 150,000 performance shares to be delivered after 2011 (Note 1a)	-	0 to 225,000	-	-	-	-	-
	Conditional award of 250,000 performance shares to be delivered after 2012 (Note 2a)	-	0 to 375,000	0 to 375,000	0 to 375,000	-	-	-
	Conditional award of 250,000 performance shares to be delivered after 2013 (Note 2b)	-	0 to 375,000	0 to 375,000	0 to 375,000	-	-	_
	Conditional award of 250,000 performance shares to be delivered after 2014 (Note 2c)	-	_	0 to 375,000	0 to 375,000	-	-	-
	Conditional award of 50,000 restricted shares to be delivered after 2009 (Note 3c)	-	25,000	-	-	-	-	-

Name of director and corporation in which interests are held	Description of interests	Exercise period	in th	eholdings regist ne name of dire se or infant chi	ctor,	Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Wong Weng Sun (cont'd)								
Sembcorp Marine Ltd (cont'd)	Conditional award of 75,000 restricted shares to be delivered after 2010 (Note 4c)	_	75,000	37,500	37,500	_	-	_
	Conditional award of 100,000 restricted shares to be delivered after 2011 (Note 5a)	_	0 to 150,000	100,000	100,000	_	_	_
	Conditional award of 100,000 restricted shares to be delivered after 2012 (Note 6a)	_	0 to 150,000	0 to 150,000	0 to 150,000	_	_	_
	Conditional award of 85,000 restricted shares to be delivered after 2013 (Note 6b)	_	_	0 to 127,500	0 to 127,500	-	-	_
Sembcorp Industries Ltd	Ordinary shares	-	79,000	79,000	79,000	_	_	_
Ajaib Haridass								
Sembcorp Marine Ltd	Ordinary shares	_	540,610	570,310	570,310	_	_	_
	Conditional award of 19,000 restricted shares to be delivered after 2009 (Note 3d)	_	9,500	_	_	-	-	_
	Conditional award of 19,000 restricted shares to be delivered after 2010 (Note 4d)	-	19,000	9,500	9,500	_	_	_
Tang Kin Fei								
Sembcorp Marine Ltd	Ordinary shares	_	182,570	209,670	209,670	-	_	_
	Conditional award of 12,000 restricted shares to be delivered after 2009 (Note 3e)	-	6,000	-	-	-	-	-
	Conditional award of 17,000 restricted shares to be delivered after 2010 (Note 4e)	-	17,000	8,500	8,500	-	-	-

Name of director and corporation in which interests are held	Description of interests	Exercise period	in tl	eholdings regis ne name of dire ise or infant chi	ctor,	Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Ordinary shares	-	3,593,826	3,936,206	3,936,206	-	_	-
	Options to subscribe for ordinary shares							
	– at \$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	_	_	_
	– at \$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	_	_	_
	Conditional award of 400,000 performance shares to be delivered after 2011 (Note 1b)	_	0 to 600,000	_	_	_	_	-
	Conditional award of 400,000 performance shares to be delivered after 2012 (Note 2a)	_	0 to 600,000	0 to 600,000	0 to 600,000	-	-	-
	Conditional award of 400,000 performance shares to be delivered after 2013 (Note 2b)	_	0 to 600,000	0 to 600,000	0 to 600,000	-	-	-
	Conditional award of 400,000 performance shares to be delivered after 2014 (Note 2c)	_	-	0 to 600,000	0 to 600,000	-	-	-
	Conditional award of 126,000 restricted shares to be delivered after 2009 (Note 3f)	-	41,160	_	-	-	-	-
	Conditional award of 126,000 restricted shares to be delivered after 2010 (Note 4f)	-	100,800	50,400	50,400	-	-	-
	Conditional award of 126,000 restricted shares to be delivered after 2011 (Note 5b)	_	0 to 189,000	101,640	101,640	-	_	-
	Conditional award of 126,000 restricted shares to be delivered after 2012 (Note 6a)	-	0 to 189,000	0 to 189,000	0 to 189,000	_	_	_

Name of director and corporation in which interests are held	Description of interests	Exercise period	in th	eholdings regis ne name of dire se or infant chi	ctor,	Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd (cont'd)	Conditional award of 126,000 restricted shares to be delivered after 2013 (Note 6b)	-	_	0 to 189,000	0 to 189,000	-	_	-
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the \$1.5 Billion Multicurrency Medium Term Note Programme (Note 7) :							
	– Due 2014	_	Principal Amount: \$500,000	Principal Amount: \$500,000	Principal Amount: \$500,000	-	-	-
	– Due 2020	_	Principal Amount: \$500,000	Principal Amount: \$500,000	Principal Amount: \$500,000	_	-	-
Ron Foo Siang Guan								
Sembcorp Marine Ltd	Ordinary shares	_	104,480	101,680	101,680	28,000	28,000	28,000
	Conditional award of 17,000 restricted shares to be delivered after 2009 (Note 3g)	-	8,500	-	-	-	-	-
	Conditional award of 17,000 restricted shares to be delivered after 2010 (Note 4e)	_	17,000	8,500	8,500	-	_	_
Sembcorp Industries Ltd	Ordinary shares	_	52,820	52,820	52,820	_	_	_
Lim Ah Doo								
Sembcorp Marine Ltd	Ordinary shares	_	16,000	30,100	30,100	_	_	_
	Conditional award of 9,000 restricted shares to be delivered after 2010 (Note 4g)	-	9,000	4,500	4,500	-	-	-
Sembcorp Industries Ltd	Ordinary shares	_	9,768	9,768	9,768	_	_	_

Name of director and corporation in which interests are held	Description of interests	Exercise period	in th	eholdings regist ne name of dire se or infant chi	ctor,	Othe which t to		
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Koh Chiap Khiong								
Sembcorp Marine Ltd	Ordinary shares	_	_	3,700	3,700	_	_	_
Sembcorp Industries Ltd	Ordinary shares	_	38,734	152,105	152,105	_	_	_
	Conditional award of 50,000 performance shares to be delivered after 2011 (Note 1c)	-	0 to 75,000	_	_	-	-	_
	Conditional award of 50,000 performance shares to be delivered after 2012 (Note 2a)	-	0 to 75,000	0 to 75,000	0 to 75,000	_	-	_
	Conditional award of 80,000 performance shares to be delivered after 2013 (Note 2b)	-	0 to 120,000	0 to 120,000	0 to 120,000	_	-	_
	Conditional award of 80,000 performance shares to be delivered after 2014 (Note 2c)	-	_	0 to 120,000	0 to 120,000	-	-	_
	Conditional award of 40,000 restricted shares to be delivered after 2009 (Note 3h)	_	13,066	_	_	_	_	_
	Conditional award of 31,500 restricted shares to be delivered after 2010 (Note 4h)	-	25,200	12,600	12,600	_	-	_
	Conditional award of 31,500 restricted shares to be delivered after 2011 (Note 5c)	-	0 to 47,250	25,410	25,410	_	-	_
	Conditional award of 52,500 restricted shares to be delivered after 2012 (Note 6a)	-	0 to 78,750	0 to 78,750	0 to 78,750	-	-	_
	Conditional award of 52,500 restricted shares to be delivered after 2013 (Note 6b)	-	_	0 to 78,750	0 to 78,750	_	_	_

Name of director and corporation in which interests are held	Description of interests	Exercise period	in th	choldings regist e name of dire se or infant chi	ctor,	which t	er shareholding he director is d have an intere	eemed
			At beginning of the year	At end of the year	At 21/01/2013	At beginning of the year	At end of the year	At 21/01/2013
Tan Sri Mohd Hassan Marican								
Sembcorp Marine Ltd	Ordinary shares	-	_	1,800	1,800	_	_	_
Sembcorp Industries Ltd	Ordinary shares	_	_	10,100	10,100	_	_	_

- Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year period from 2009 to 2011. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.
  - (a) For this period, 225,000 shares were released on 5 March 2012.
  - (b) For this period, 600,000 shares were released on 26 March 2012.
  - (c) For this period, 75,000 shares were released on 26 March 2012.
- Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.
  - (a) Period from 2010 to 2012
  - (b) Period from 2011 to 2013
  - (c) Period from 2012 to 2014
- Note 3: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2008 to 2009. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.
  - (a) For this period, 11,000 shares (final release of 1/3 of the 33,000 shares) were released under the award on 5 March 2012. The 1st and 2nd release of 11,000 shares each have been released on 12 March 2010 and 15 March 2011 respectively.
  - (b) For this period, 4,474 shares (final release of 1/3 of the 13,426 shares) were released under the award on 26 March 2012. The 1st and 2nd release of 4,476 shares each have been released on 10 March 2010 and 23 March 2011 respectively.
  - (c) For this period, 25,000 shares (final release of 1/3 of the 75,000 shares) were released under the award on 5 March 2012. The 1st and 2nd release of 25,000 shares each have been released on 12 March 2010 and 15 March 2011 respectively.

- (d) For this period, 9,500 shares (final release of 1/3 of the 28,500 shares) were released under the award on 5 March 2012. The 1st and 2nd release of 9,500 shares each have been released on 12 March 2010 and 15 March 2011 respectively.
- (e) For this period, 6,000 shares (final release of 1/3 of the 18,000 shares) were released under the award on 5 March 2012. The 1st and 2nd release of 6,000 shares each have been released on 12 March 2010 and 15 March 2011 respectively.
- (f) For this period, 41,160 shares (final release of 1/3 of the 123,480 shares) were released under the award on 26 March 2012. The 1st and 2nd release of 41,160 shares each have been released on 10 March 2010 and 23 March 2011 respectively.
- (g) For this period, 8,500 shares (final release of 1/3 of the 25,500 shares) were released under the award on 5 March 2012. The 1st and 2nd release of 8,500 shares each have been released on 12 March 2010 and 15 March 2011 respectively.
- (h) For this period, 13,066 shares (final release of 1/3 of the 39,200 shares) were released under the award on 26 March 2012. The 1st and 2nd release of 13,067 shares each have been released on 10 March 2010 and 23 March 2011 respectively.
- Note 4: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2009 to 2010. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.
  - (a) For this period, 14,500 shares (2nd release of 1/3 of the 43,500 shares) were released under the award on 5 March 2012 and the remaining 14,500 shares will be vested in year 2013. The 1st release of 14,500 shares has been released on 15 March 2011.
  - (b) For this period, 5,480 shares (2nd release of 1/3 of the 16,440 shares) were released under the award on 26 March 2012 and the remaining 5,480 shares will be vested in year 2013. The 1st release of 5,480 shares has been released on 23 March 2011.
  - (c) For this period, 37,500 shares (2nd release of 1/3 of the 112,500 shares) were released under the award on 5 March 2012 and the remaining 37,500 shares will be vested in year 2013. The 1st release of 37,500 shares has been released on 15 March 2011.

- (d) For this period, 9,500 shares (2nd release of 1/3 of the 28,500 shares) were released under the award on 5 March 2012 and the remaining 9,500 shares will be vested in year 2013. The 1st release of 9,500 shares has been released on 15 March 2011.
- (e) For this period, 8,500 shares (2nd release of 1/3 of the 25,500 shares) were released under the award on 5 March 2012 and the remaining 8,500 shares will be vested in year 2013. The 1st release of 8,500 shares has been released on 15 March 2011.
- (f) For this period, 50,400 shares (2nd release of 1/3 of the 151,200 shares) were released under the award on 26 March 2012 and the remaining 50,400 shares will be vested in year 2013. The 1st release of 50,400 shares has been released on 23 March 2011.
- (g) For this period, 4,500 shares (2nd release of 1/3 of the 13,500 shares) were released under the award on 5 March 2012 and the remaining 4,500 shares will be vested in year 2013. The 1st release of 4,500 shares has been released on 15 March 2011.
- (h) For this period, 12,600 shares (2nd release of 1/3 of the 37,800 shares) were released under the award on 26 March 2012 and the remaining 12,600 shares will be vested in year 2013. The 1st release of 12,600 shares has been released on 23 March 2011.
- Note 5: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2010 to 2011. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.
  - (a) For this period, 50,000 shares (1/3 of the 150,000 shares) were released under the award on 5 March 2012 and the remaining 100,000 shares will be vested in year 2013/2014.
  - (b) For this period, 50,820 shares (1/3 of the 152,460 shares) were released under the award on 26 March 2012 and the remaining 101,640 shares will be vested in year 2013/2014.
  - (c) For this period, 12,705 shares (1/3 of the 38,115 shares) were released under the award on 26 March 2012 and the remaining 25,410 shares will be vested in year 2013/2014.
- Note 6: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.
  - (a) Period from 2011 to 2012
  - (b) Period from 2012 to 2013
- Note 7: Fixed Rate Notes issued under the \$1.5 Billion Multicurrency Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interest in the Company between the end of the financial year and 21 January 2013.

Except as disclosed under the "Share-based Incentive Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for:

- (a) Payment of professional fees to a firm in which Mr Ajaib Haridass, a director of the Company, was a member during the financial year 2011 as disclosed in Note 36 to the financial statements;
- (b) Key management personnel compensation as disclosed in Note 36 to the financial statements; and
- (c) Remuneration received in those capacities by certain directors who have employment relationships with the holding company.

#### **Share-based Incentive Plans**

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Goh Geok Ling Chairman

Tang Kin Fei

Ajaib Haridass (Appointed on 2 February 2012)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

#### (a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc, or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

- (i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- (ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

- (iii) In 2012 and 2011, all options were either settled by the issuance of treasury shares or by the issuance of new shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for nonexecutive directors

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January	<b>Options</b> exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Numbers of options holders (including directors) at 31 December	Number of options exercisable at 1 January	Number of options exercisable at 31 December	Proceeds on options exercised during the year credited to share capital \$'000	Exercise period
2012										
07/11/2002	\$0.64	125,650	(11,900)	(113,750)	-	-	125,650	-	8	08/11/2003 to 07/11/2012
08/08/2003	\$0.71	73,420	(3,000)	-	70,420	15	73,420	70,420	2	09/08/2004 to 08/08/2013
10/08/2004	\$0.74	241,010	(47,400)	(4,200)	189,410	51	241,010	189,410	35	11/08/2005 to 10/08/2014
11/08/2005	\$2.11	1,503,750	(551,450)	(4,200)	948,100	103	1,503,750	948,100	1,164	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	1,856,482	(525,830)	(22,325)	1,308,327	223	1,856,482	1,308,327	1,251	03/10/2007 to 02/10/2016
		3,800,312	(1,139,580)	(144,475)	2,516,257		3,800,312	2,516,257	2,460	
2011										
27/09/2001	\$0.47	54,810	(21,210)	(33,600)	_	_	54,810	_	10	28/09/2002 to 27/09/2011
07/11/2002	\$0.64	161,700	(31,500)	(4,550)	125,650	14	161,700	125,650	20	08/11/2003 to 07/11/2012
08/08/2003	\$0.71	216,470	(132,200)	(10,850)	73,420	17	216,470	73,420	94	09/08/2004 to 08/08/2013
10/08/2004	\$0.74	1,723,958	(1,427,648)	(55,300)	241,010	62	1,723,958	241,010	1,056	11/08/2005 to 10/08/2014
11/08/2005	\$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	126	4,213,877	1,503,750	5,522	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	191,750	(191,750)	-	-	-	191,750	-	456	03/10/2007 to 02/10/2011*
02/10/2006	\$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	275	4,918,409	1,856,482	7,250	03/10/2007 to 02/10/2016
		11,480,974	(7,467,337)	(213,325)	3,800,312		11,480,974	3,800,312	14,408	

<sup>\*</sup> Applicable to non-executive directors of the Company only.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

The options of the Company exercised in 2012 resulted in 1,139,580 (2011: 7,467,337) ordinary shares being issued at a weighted average price of \$2.16 (2011: \$1.93). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$4.78 (2011: \$3.84).

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to 31 December 2012 were as follows:

Option participants Directors of the Company	Aggregate options granted	Aggregate options cancelled/ lapsed/ not accepted	Aggregate options exercised	Aggregate options outstanding
Goh Geok Ling	196,000	_	(196,000)	_
Wong Weng Sun	1,208,500	_	(1,208,500)	_
Ajaib Haridass	403,000	_	(403,000)	_
Tang Kin Fei	124,000	_	(124,000)	_
Ron Foo Siang Guan	28,000	_	(28,000)	_
Former Directors of the Company	14,715,800	_	(14,715,800)	_
Other executives	115,977,395	(14,302,991)	(99,158,147)	2,516,257
At 31 December 2012	132,652,695	(14,302,991)	(115,833,447)	2,516,257

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

#### (b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2012 to 2014 will be vested to the senior management participants only if the restricted shares for the performance period 2013 to 2014 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

The details of the movement of the Performance shares of the Company awarded during the financial year since commencement of the Performance Share Plan (aggregate) were as follows:

			Movements du	uring the year		
Performance Shares participants	At 1 January	Conditional performance shares awarded	Conditional performance shares released	Conditional performance shares lapsed	Additional performance shares awarded arising from targets met	At 31 December
2012						
Director of the Company						
– Wong Weng Sun	650,000	250,000	(225,000)	-	75,000	750,000
Key management and executives of the Group	1,115,000	425,000	(497,084)	(93,610)	165,694	1,115,000
	1,765,000	675,000	(722,084)	(93,610)	240,694	1,865,000
2011						
Director of the Company						
– Wong Weng Sun	525,000	250,000	(187,500)	-	62,500	650,000
Former director of the Company	250,000	_	(177,084)	(197,916)	125,000	_
Key management and executives of the Group	1,195,000	335,000	(567,500)	(45,000)	197,500	1,115,000
	1,970,000	585,000	(932,084)	(242,916)	385,000	1,765,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010), a total of 722,084 (2011: 932,084) performance shares were released via the issuance of treasury shares.

In 2012, there were additional 240,694 (2011: 385,000) performance shares awarded for over-achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2012, was 1,865,000 (2011: 1,765,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,797,500 (2011: 2,647,500) performance shares.

#### (c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2012.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under the SCM RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

For the year 2011, the awards granted under the SCM RSP 2010 to non-executive directors were time-based shares which vest 1 year from the date of grant.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2012, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price ("VWAP") of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM"). In the event that no dividend is declared at the AGM, the VWAP will be based on a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

The details of the movement of the restricted shares of the Company awarded during the financial year since commencement of the Restricted Share Plan (aggregate) were as follows:

			Movements of	luring the year		
Restricted Shares participants	At 1 January	Conditional restricted shares awarded	Conditional restricted shares released	Conditional restricted shares lapsed	Additional restricted shares awarded arising from targets met	At 31 December
2012						
Directors of the Company						
Goh Geok Ling	40,000	17,000	(42,500)	-	-	14,500
Wong Weng Sun	300,000	85,000	(112,500)	_	50,000	322,500
Ajaib Haridass	28,500	10,700	(29,700)	_	-	9,500
Tang Kin Fei	23,000	12,600	(27,100)	_	-	8,500
Ron Foo Siang Guan	25,500	10,200	(27,200)	_	-	8,500
Lim Ah Doo	9,000	9,600	(14,100)	_	-	4,500
Koh Chiap Khiong	-	3,700	(3,700)	-	-	-
Tan Sri Mohd Hassan Marican	_	1,800	(1,800)	_	-	_
Former directors of the Company	22,000	19,000	(41,000)	_	-	_
Other executives	9,702,285	2,695,100	(4,114,458)	(523,398)	1,416,001	9,175,530
	10,150,285	2,864,700	(4,414,058)	(523,398)	1,466,001	9,543,530
2011						
Directors of the Company						
Goh Geok Ling	84,846	_	(59,346)	_	14,500	40,000
Richard Hale, OBE	36,700	_	(25,700)	_	11,000	22,000
Wong Weng Sun	255,332	100,000	(92,832)	_	37,500	300,000
Ajaib Haridass	63,236	_	(44,236)	_	9,500	28,500
Tang Kin Fei	48,690	_	(34,190)	_	8,500	23,000
Ron Foo Siang Guan	53,992	_	(36,992)	_	8,500	25,500
Lim Ah Doo	20,500	_	(16,000)	_	4,500	9,000
Former directors of the Company	242,136	_	(208,886)	(49,750)	16,500	_
Other executives	10,574,871	2,985,800	(4,524,089)	(865,002)	1,530,705	9,702,285
	11,380,303	3,085,800	(5,042,271)	(914,752)	1,641,205	10,150,285

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 1,709,403 (2011: Nil) restricted shares were released. For awards in relation to the performance period 2009 to 2010, a total of 1,434,630 (2011: 1,888,581) restricted shares were released. For awards in relation to the performance period 2008 to 2009, a total of 1,185,425 (2011: 1,531,500) restricted shares were released. In 2011, 1,502,177 restricted shares were released for awards in relation to the performance period 2007 to 2008; and 16,413 restricted shares were released for awards in relation to the performance period 2006 to 2007. In 2012, there were 84,600 (2011: 103,600) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2012, additional 1,466,001 (2011: 1,641,205) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2012, was 9,543,530 (2011: 10,150,285). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,688,200 (2011: 6,242,400). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,532,300 (2011: 9,363,600) restricted shares.

#### Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010), a total of \$8,163,619 (2011: \$7,336,725), equivalent to 1,533,650 (2011: 1,373,250) notional restricted shares, were paid.

A total of 1,031,300 (2011: 1,122,200) notional restricted shares were awarded on 21 May 2012 (2011: 15 July 2011) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2012, was 1,974,400 (2011: 2,167,200). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 2,961,600 (2011: 3,250,800).

#### (d) Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

#### **Audit Committee**

The members of the Audit Committee during the year and at the date of this report are:

Lim Ah Doo Chairman

Richard Hale, OBE (Retired on 20 April 2012)

Ron Foo Siang Guan

Tan Sri Mohd Hassan Marican (Appointed on 1 May 2012)

The Audit Committee held five meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance and its Terms of Reference.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

#### **Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**GOH GEOK LING** 

Director

WONG WENG SUN

Director

Singapore 21 February 2013

# **Statement by Directors**

#### In our opinion:

- (a) the financial statements set out on pages 139 to 210 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**GOH GEOK LING** 

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Director

**WONG WENG SUN** 

Director

Singapore 21 February 2013

### **Independent Auditors' Report**

Members of the Company Sembcorp Marine Ltd

#### Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 139 to 210.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

#### Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**KPMG LLP** 

Public Accountants and Certified Public Accountants

Singapore 21 February 2013

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# **Balance Sheets**

As at 31 December 2012

		Gro		Company			
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000		
Non-current assets							
Property, plant and equipment	4	1,476,206	1,034,345	99,618	111,418		
Investment properties	5	-	_	31,123	38,014		
Investments in subsidiaries	6	_	_	451,573	448,975		
Investments in associates and joint ventures	7	417,329	380,065	107,369	107,369		
Other financial assets	8	154,332	126,956	98,664	90,413		
Trade and other receivables	9	61,674	72,521	66,435	75,284		
Intangible assets	12	33,653	36,996	122	122		
Deferred tax assets	13	2,388	1,894	-	_		
		2,145,582	1,652,777	854,904	871,595		
Current assets							
Inventories and work-in- progress	14	1,731,227	926,248	-	_		
Trade and other receivables	9	468,264	480,114	82,543	43,686		
Tax recoverable		83	367	-	_		
Other financial assets	8	32,394	2,528	-	-		
Cash and cash equivalents	15	1,408,907	1,989,612	75,900	126,808		
		3,640,875	3,398,869	158,443	170,494		
Current liabilities							
Trade and other payables	16	1,687,321	1,786,393	64,643	70,008		
Progress billings in excess of work-in-progress	14	884,038	352,445	-	-		
Provisions	18	17,463	47,334	-	_		
Other financial liabilities	19	1,428	4,993	-	-		
Current tax payable		94,983	173,976	2,629	1,554		
Interest-bearing borrowings	20	32,981	35,111	_	_		
		2,718,214	2,400,252	67,272	71,562		
Net current assets		922,661	998,617	91,171	98,932		

Note	Group 2012 2011 \$'000 \$'000		Com <sub>l</sub> 2012 \$'000	pany 2011 \$′000
	7 333	4	4 333	*
13	131,131	85,197	23,556	27,381
18	44,243	30,342	27,895	27,895
19	78	13,659	-	_
20	300,000	_	-	-
16	45,766	16,116	-	_
	521,218	145,314	51,451	55,276
	2,547,025	2,506,080	894,624	915,251
y				
21	480,086	470,596	480,086	470,596
22	(26,335)	(24,695)	28,583	15,172
	1,984,773	1,968,356	385,955	429,483
	2,438,524	2,414,257	894,624	915,251
	108,501	91,823	-	
	2,547,025	2,506,080	894,624	915,251
	13 18 19 20 16	Note 2012 \$'000 13 131,131 18 44,243 19 78 20 300,000 16 45,766 521,218 2,547,025 Y 21 480,086 22 (26,335) 1,984,773 2,438,524 108,501	Note 2012 \$'000 \$2011 \$'000 \$13 \$131,131 \$85,197 \$18 \$44,243 \$30,342 \$19 \$78 \$13,659 \$20 \$300,000 \$-\$ 16 \$45,766 \$16,116 \$221,218 \$145,314 \$2,547,025 \$2,506,080 \$1,984,773 \$1,968,356 \$2,438,524 \$2,414,257 \$108,501 \$91,823 \$130,000 \$1	Note \$\begin{array}{cccccccccccccccccccccccccccccccccccc

The accompanying notes form an integral part of these financial statements.

# **Consolidated Income Statement**

Year ended 31 December 2012

		Group				
	Note	2012 \$'000	2011 \$'000			
Turnover	23	4,430,123	3,960,230			
Cost of sales		(3,735,622)	(3,094,118)			
Gross profit		694,501	866,112			
Other operating income		33,579	19,167			
Other operating expenses		(24,598)	(10,076)			
General and administrative expenses		(149,264)	(138,074)			
Operating profit	24	554,218	737,129			
Finance income	25	21,439	59,977			
Finance costs	25	(3,262)	(2,491)			
Investment income	26	3,421	4,464			
Non-operating income	27	127	355			
Non-operating expenses	27	(2,566)	(2,399)			
Share of results of associates and joint ventures	28	56,270	62,878			
Profit before tax		629,647	859,913			
Tax expense	29	(62,209)	(90,784)			
Profit for the year		567,438	769,129			
Profit attributable to:						
Owners of the Company		538,453	751,903			
Non-controlling interests	31	28,985	17,226			
Profit for the year		567,438	769,129			
Earnings per share (cents)	32					
Basic		25.81	36.13			
Diluted		25.80	36.10			

# **Consolidated Statement of Comprehensive Income**

Year ended 31 December 2012

	Group Note 2012 2011 \$'000 \$'00						
Profit for the year		567,438	769,129				
Foreign currency translation differences		(57,759)	12,436				
Net change in fair value of cash flow hedges		34,043	(55,605)				
Net change in fair value of available-for-sale financial assets		11,360	(132,219)				
Other comprehensive income for the year, net of tax	30	(12,356)	(175,388)				
Total comprehensive income for the year		555,082	593,741				
Total comprehensive income attributable to:							
Owners of the Company		531,870	576,425				
Non-controlling interests		23,212	17,316				
Total comprehensive income for the year		555,082	593,741				

The accompanying notes form an integral part of these financial statements.

The accompanying notes form an integral part of these financial statements.

# **Consolidated Statement of Changes in Equity**

Share capital \$'000

Year ended 31 December 2012

Group

		Attributabl	e to owners of th	ne Company	/				
Reserve for own shares \$'000	Capital reserves	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
(10,555)	25,574	(52,796)	(15,602)	(149)	28,833	1,968,356	2,414,257	91,823	2,506,080
-	-	-	-	-	-	538,453	538,453	28,985	567,438

At 1 January 2012	470,596	(10,555)	25,574	(52,796)	(15,602)	(149)	28,833	1,968,356	2,414,257	91,823	2,506,080
Total comprehensive income for the year											
Profit for the year	_	-	_	-	-	-	-	538,453	538,453	28,985	567,438
Other comprehensive income											
Foreign currency translation differences	_	_	-	(51,986)	-	_	-	_	(51,986)	(5,773)	(57,759)
Net change in fair value of cash flow hedges	-	_	-	-	-	34,043	-	-	34,043	-	34,043
Net change in fair value of available-for-sale financial assets	_		-	_	_	_	11,360	_	11,360	-	11,360
Total other comprehensive income	_	_	_	(51,986)	_	34,043	11,360		(6,583)	(5,773)	(12,356)
Total comprehensive income for the year	-	_	-	(51,986)	-	34,043	11,360	538,453	531,870	23,212	555,082
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Issue of new shares	9,490	_	-	-	(8,908)	-	_	-	582	-	582
Purchase of treasury shares	-	(5,234)	-	-	-	-	-	-	(5,234)	-	(5,234)
Issue of treasury shares	-	12,566	-	-	(10,735)	-	-	-	1,831	-	1,831
Dividends paid to											
– owners of the Company (Note 33)	-	_	-	-	-	-	-	(522,060)	(522,060)	-	(522,060)
<ul> <li>non-controlling interests</li> </ul>	-	_	-	-	-	-	-	-	-	(7,128)	(7,128)
Return of unclaimed dividends	-	-	-	-	-	-	-	24	24	-	24
Share-based payments	-	-	-	-	17,335	-	-	-	17,335	-	17,335
Transfer of reserve upon liquidation of a subsidiary	_	_	-	-	(81)	-	_	-	(81)	-	(81)
Capital contribution by non-controlling interests	_	_	-	-	-	-	-	-	-	594	594
Total contributions by and distributions to owners	9,490	7,332	-	_	(2,389)	-	_	(522,036)	(507,603)	(6,534)	(514,137)
At 31 December 2012	480,086	(3,223)	25,574	(104,782)	(17,991)	33,894	40,193	1,984,773	2,438,524	108,501	2,547,025

The accompanying notes form an integral part of these financial statements.

# **Consolidated Statement of Changes in Equity** (cont'd)

Year ended 31 December 2012											
				Attributabl	e to owners of t	he Compan	y				
Group	Share capital \$'000	Reserve for own shares \$'000	Capital reserves	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2011	456,561	-	25,574	(65,147)	(1,047)	55,456	161,052	1,966,954	2,599,403	87,523	2,686,926
Total comprehensive income for the year											
Profit for the year	-	_	_	_	-	_	_	751,903	751,903	17,226	769,129
Other comprehensive income											
Foreign currency translation differences	-	-	_	12,346	_	_	_	_	12,346	90	12,436
Net change in fair value of cash flow hedges	-	-	-	-	-	(55,605)	-	-	(55,605)	-	(55,605)
Net change in fair value of available-for-sale financial assets	_	_	_	_	_	_	(132,219)	_	(132,219)	_	(132,219)
Total other comprehensive income	_	_	_	12,346	_	(55,605)	(132,219)	_	(175,478)	90	(175,388)
Total comprehensive income for the year	-	_	-	12,346	_	(55,605)	(132,219)	751,903	576,425	17,316	593,741
Transactions with owners of the Company, recognised directly in equity Contributions by and distributions to owners of the Company											
Issue of new shares	14,035	-	_	_	(240)	-	_	-	13,795	_	13,795
Purchase of treasury shares	_	(43,053)	_	_	-	_	_	_	(43,053)	_	(43,053)
Issue of treasury shares	_	32,498	_	-	(32,002)	_	_	-	496	_	496
Dividends paid to											
– owners of the Company (Note 33)	_	_	_	-	_	_	_	(750,501)	(750,501)	_	(750,501)
<ul> <li>non-controlling interests</li> </ul>	_	-	_	-	_	_	_	_	_	(12,978)	(12,978)
Share-based payments	_	_	_	-	17,664	_	_	_	17,664	_	17,664
Transfer of reserve upon liquidation of subsidiaries	_	_	_	5	23	_		_	28	(38)	(10)
Total contributions by and distributions to owners	14,035	(10,555)	_	5	(14,555)	_	_	(750,501)	(761,571)	(13,016)	(774,587)

The accompanying notes form an integral part of these financial statements.

470,596 (10,555)

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(52,796)

(15,602)

(149)

28,833 1,968,356 2,414,257

91,823

2,506,080

At 31 December 2011

# **Consolidated Statement of Cash Flows**

Year ended 31 December 2012

No	te 2012 \$'000	Group 2011 \$'000	Not		oup 2011 \$'000
Cash flows from Operating Activities			Changes in working capital:		
Profit for the year	567,438	769,129	Inventories and work-in-progress	(276,356)	(468,758)
Adjustments for:			Trade and other receivables	25,306	(292,639)
Finance income	(21,439	(59,977)	Trade and other payables	(145,057)	343,307
Finance costs	3,262	2,491	Cash generated from operations	274,567	434,461
Investment income	(3,421	(4,464)	Investment and interest income received	24,872	64,523
Depreciation of property, plant and equipment	90,632	83,593	Interest paid	(1,685)	(2,757)
Amortisation of intangible assets	3,356	2,685	Tax paid	(90,218)	(170,060)
Share of results of associates and joint ventures	(56,270	(62,878)	Net cash generated from operating activities	207,536	326,167
Gain on disposal of property, plant and equipment, net	(484	(420)			
Gain on liquidation of subsidiary	(81	) –	Cash flows from Investing Activities		
Gain on disposal of other investments	(46	(355)	Purchase of property, plant and equipment	(516,797)	(437,940)
Fair value adjustment of hedging instruments	(1,647	5,961	Proceeds from sale of property, plant and equipment	496	630
Share-based payment expenses	24,135	22,673	Proceeds from sale of other investment	349	1,685
Property, plant and equipment written off	459	925	Purchase of intangible assets	(19)	(33,559)
Impairment loss on intangible assets	ī	5 5	Acquisition of subsidiary, net of cash acquired 34	1,575	-
Impairment loss on other long-term equity investments	2,566	2,399	Capital contribution by non-controlling interests	594	-
Tax expense 29	62,209	90,784	Investments in associate and joint venture	(13,706)	(8,559)
			_ Dividend from associate	823	634
Operating profit before working capital changes	670,674	852,551	Net cash used in investing activities	(526,685)	(477,109)

The accompanying notes form an integral part of these financial statements.

# **Consolidated Statement of Cash Flows** (cont'd)

Year ended 31 December 2012

	Note	Gro 2012 \$'000	oup 2011 \$′000
Cash flows from Financing Activities			
Proceeds from borrowings		350,000	35,111
Repayment of borrowings		(50,000)	(8,000)
Proceeds from share options exercised		2,460	14,408
Purchase of treasury shares		(5,234)	(43,053)
Dividends paid to owners of the Company	33	(522,060)	(750,501)
Dividends paid to non-controlling interests of subsidiaries		(7,128)	(12,978)
Return of unclaimed dividends		24	_
Net cash used in financing activities		(231,938)	(765,013)
Net decrease in cash and cash equivalents		(551,087)	(915,955)
Cash and cash equivalents at beginning of the year		1,989,612	2,915,097
Effect of exchange rate changes on balances held in foreign currencies		(29,618)	(9,530)
Cash and cash equivalents at end of the year	15	1,408,907	1,989,612

Year ended 31 December 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2013.

#### 1. Domicile and activities

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054. Its immediate and ultimate holding company is Sembcorp Industries Ltd ("SCI") which is incorporated in the Republic of Singapore. Related companies in these financial statements refer to subsidiaries and associates of SCI.

The financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 42.

### 2. Basis of preparation

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in Note 41.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

#### 3.1 Basis of consolidation

#### (i) Business combinations

Acquisitions on or after 1 January 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Year ended 31 December 2012

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

#### Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition is credited to profit or loss in the period of the acquisition.

### (ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

#### (iii) Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

#### (iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Year ended 31 December 2012

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds the carrying amount of the associate (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate), recognition of further losses is discontinued unless the Group has incurred obligations or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

#### (vi) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date joint control commences until the day that the joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

#### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains resulting from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (viii)Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

### 3.2 Foreign currencies

#### (i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at foreign exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are translated into the functional currency using foreign exchange rates ruling at that date.
- Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions.
- Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Year ended 31 December 2012

Foreign exchange differences arising from non-monetary items are recognised directly in other comprehensive income when non-monetary items' gains or losses are recognised directly in other comprehensive income. Conversely, when non-monetary items' gains or losses are recognised directly in profit or loss, foreign exchange differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

#### (ii) Foreign operations

The results and financial positions of foreign operations (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at foreign exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average foreign exchange rates.
- All resulting foreign exchange differences are taken to the foreign currency translation reserve in other comprehensive income.

On disposal, accumulated foreign currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary,

then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### (iii) Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

### 3.3 Property, plant and equipment

#### (i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Year ended 31 December 2012

#### (ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

#### (iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

#### (iv) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

#### (v) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual values so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land 45 years or lease period of 3 to 60 years

Buildings 45 years or lease period of 3 to 30 years

Quays and dry docks 60 years or lease period of 6 to 22 years

Motor vessels, launches, cranes 3 to 20 years

and floating docks

Plant, machinery and tools 3 to 15 years

Motor vehicles 3 to 5 years

Furniture and office equipment 3 to 5 years

Utilities and fittings 30 years

Computer equipment 1 to 5 years

The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress. Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Year ended 31 December 2012

#### (vi) Investment properties

Investment properties comprise significant portions of land and buildings and quays that are held for long-term rental yields or for capital appreciation, or for both.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The depreciation methods, useful lives and residual values of investment properties are reviewed, if not insignificant, annually, and adjusted if appropriate.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 3.4 Intangible assets

### (i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.10.

#### (ii) Negative goodwill

Negative goodwill arising on acquisition represents the excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition and are credited to profit or loss in the period of acquisition.

Fair values assigned to the identifiable assets, liabilities and contingent liabilities can be estimated provisionally in the initial accounting for a business combination. The Group will recognise adjustments to those provisional fair values upon finalising the fair values within twelve months from the acquisition date (the measurement period). The corresponding adjustment, if any, will be made by restating the previously reported goodwill or negative goodwill. After the measurement period, any adjustments to the goodwill will be recognised in profit or loss in the year in which the adjustments are identified.

### (iii) Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Year ended 31 December 2012

#### (iv) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Intellectual property rights

10 years

Amortisation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate.

#### 3.5 Financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification

of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

#### (i) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative financial instruments are also classified as 'financial assets at fair value through profit or loss' unless they are designated as effective hedging instruments. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### (ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Year ended 31 December 2012

#### (iii) Available-for-sale financial assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss.

### 3.6 Impairment of financial assets

The Group assesses at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and

receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Year ended 31 December 2012

#### 3.7 Derivative financial instruments

Derivative financial instruments are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described below.

### (i) Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any gain or loss recognised in profit or loss.

#### (ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the nonfinancial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Year ended 31 December 2012

#### 3.8 Inventories and work-in-progress

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work completed to date. This comprises mainly uncompleted ship and rig repair, building and conversion jobs. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained.

Work-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as 'inventories and work-in-progress' (as an asset) or 'progress billings in excess of

work-in-progress' (as a liability), as applicable. Long-term contract costs include the cost of direct materials, direct labour and costs incurred in connection with the project. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 3.9 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

### 3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Year ended 31 December 2012

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

#### (ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

#### 3.11 Financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method

Other financial liabilities comprise trade and other payables, and interest-bearing liabilities.

Year ended 31 December 2012

### 3.12 Employee benefits

### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

#### (ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (iii) Staff retirement benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff benefit plan or, in respect of unionised employees who joined on or before 31 December 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

#### (iv) Equity and equity-related compensation benefits

#### Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based compensation reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based compensation reserve.

#### Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. The compensation

Year ended 31 December 2012

cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based compensation reserve.

#### Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into the account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, non-market-based performance conditions are taken into account. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Group revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The share-based compensation reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based compensation reserve.

In the Company's separate financial statements, the fair value of options, performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

#### (v) Cash-related compensation benefits

#### Sembcorp Marine Challenge Bonus

The Group recognises a liability and an expense for bonuses and profitsharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when it is contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Year ended 31 December 2012

#### 3.13 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3.14 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally

enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 3.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, net of any tax effects, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

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#### 3.16 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

### 3.17 Revenue recognition

#### (i) Contract revenue

Revenue from ship and rig repair, building, conversion and offshore are recognised on the percentage of completion method, provided the work is at least 20% complete and the outcome of the contract can be reliably estimated. The percentage of completion is assessed by reference to surveys of work performed.

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When an outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss when it is foreseeable.

### (ii) Income on goods sold and services rendered

Revenue from goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on other service work is recognised when the work is completed.

### (iii) Rental income

Charter hire income is taken to profit or loss on an accrual basis over the charter hire period. Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### 3.18 Dividend and interest income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Interest income is recognised as it accrues in profit or loss, using the effective interest method

#### 3.19 Leases

#### (i) Operating lease

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

#### (ii) Finance lease

When entities within the Group are lessors of a finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Year ended 31 December 2012

Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 3.20 Finance costs

Interest expense and similar charges expensed in profit or loss in the period using the effective interest rate method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare the asset for its intended use or sale. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

### 3.21 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### 3.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

#### 3.23 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

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# 4. Property, plant and equipment

	Land and	l buildings	Construction-	Docks, quays, launches, cranes and	Plant, machinery		
	Freehold	Leasehold	in-progress (1)	marine vessels (2)	and tools	Others (3)	Total
Group	\$′000	\$′000	\$′000	\$′000	\$'000	\$′000	\$′000
Cost/valuation							
Balance at 1 January 2011							
At cost	11,456	325,976	54,555	564,543	345,934	60,372	1,362,836
At valuation		_	_	25,152	_	_	25,152
	11,456	325,976	54,555	589,695	345,934	60,372	1,387,988
Translation adjustments	(37)	(317)	(19)	(1)	(357)	(38)	(769)
Additions	806	2,661	390,992	16,590	20,832	6,059	437,940
Reclassifications	_	19,740	(20,515)	116	403	256	_
Disposals	-	-	_	(176)	(2,046)	(347)	(2,569)
Write-offs		(753)	(384)		(1,085)	(467)	(2,689)
Balance at 31 December 2011	12,225	347,307	424,629	606,224	363,681	65,835	1,819,901
Balance at 1 January 2012							
At cost	12,225	347,307	424,629	581,072	363,681	65,835	1,794,749
At valuation	-	-	-	25,152	_	_	25,152
	12,225	347,307	424,629	606,224	363,681	65,835	1,819,901
Translation adjustments	(1,406)	(6,250)	(3,350)	(12)	(5,508)	(761)	(17,287)
Additions	5,125	10,566	391,612	20,018	101,621	7,019	535,961
Reclassifications	_	18,839	(129,045)	20,460	88,221	1,525	_
Disposals	_	(1)	_	_	(5,263)	(203)	(5,467)
Write-offs	_	(452)	-	(542)	(2,015)	(2,017)	(5,026)
Acquisition of subsidiaries	1,189	3,489	210	-	1,822	337	7,047
Balance at 31 December 2012	17,133	373,498	684,056	646,148	542,559	71,735	2,335,129
Balance at 31 December 2012							
At cost	17,133	373,498	684,056	620,996	542,559	71,735	2,309,977
At valuation	_	_		25,152	-	-	25,152
	17,133	373,498	684,056	646,148	542,559	71,735	2,335,129

Year ended 31 December 2012

# 4. Property, plant and equipment (cont'd)

	Land and	l buildings	Construction-	Docks, quays, launches, cranes and	Plant, machinery		
Group	Freehold \$'000	Leasehold \$'000	in-progress (1) \$'000	marine vessels (2) \$'000	and tools \$'000	Others (3) \$'000	Total \$'000
Accumulated depreciation and impairment losses							
Balance at 1 January 2011	1,692	129,440	_	283,635	243,031	48,242	706,040
Translation adjustments	10	47	_	_	1	(12)	46
Depreciation for the year	770	16,089	_	23,957	35,327	7,450	83,593
Reclassifications	_	538	_	(324)	(220)	6	_
Disposals	_	_	_	(14)	(1,998)	(347)	(2,359)
Write-offs		(223)	_	_	(1,075)	(466)	(1,764)
Balance at 31 December 2011	2,472	145,891	_	307,254	275,066	54,873	785,556
Translation adjustments	(127)	(2,136)	_	(12)	(4,350)	(618)	(7,243)
Depreciation for the year	339	17,330	-	25,702	40,800	6,461	90,632
Reclassifications	-	(15)	-	-	-	15	-
Disposals	-	-	-	-	(5,253)	(202)	(5,455)
Write-offs	_	(145)	_	(542)	(1,867)	(2,013)	(4,567)
Balance at 31 December 2012	2,684	160,925	_	332,402	304,396	58,516	858,923
Carrying amounts							
At 1 January 2011	9,764	196,536	54,555	306,060	102,903	12,130	681,948
At 31 December 2011	9,753	201,416	424,629	298,970	88,615	10,962	1,034,345
At 31 December 2012	14,449	212,573	684,056	313,746	238,163	13,219	1,476,206

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## 4. Property, plant and equipment (cont'd)

	Docks, launches, cranes and marine vessels (2) \$'000	Plant, machinery and tools \$'000	Others (3) \$'000	Total \$'000
Company				
Cost/valuation				
Balance at 1 January 2011				
At cost	163,709	7,609	3,831	175,149
At valuation	25,152	_	_	25,152
	188,861	7,609	3,831	200,301
Additions		_	3,239	3,239
Balance at 31 December 2011	188,861	7,609	7,070	203,540
Balance at 1 January 2012				
At cost	163,709	7,609	7,070	178,388
At valuation	25,152	_	_	25,152
	188,861	7,609	7,070	203,540
Additions	-	-	443	443
Disposals	-	-	(87)	(87)
Balance at 31 December 2012	188,861	7,609	7,426	203,896
Balance at 31 December 2012				
At cost	163,709	7,609	7,426	178,744
At valuation	25,152	_	-	25,152
	188,861	7,609	7,426	203,896

Accumulated depreciation	Docks, launches, cranes and marine vessels <sup>(2)</sup> \$'000	Plant, machinery and tools \$'000	Others (3) \$'000	Total \$'000
Balance at 1 January 2011	69,759	6,672	2,978	79,409
Depreciation for the year	11,889	68	756	12,713
Balance at 31 December 2011	81,648	6,740	3,734	92,122
Depreciation for the year	11,888	64	291	12,243
Disposals	-	-	(87)	(87)
Balance at 31 December 2012	93,536	6,804	3,938	104,278
Carrying amounts				
At 1 January 2011	119,102	937	853	120,892
At 31 December 2011	107,213	869	3,336	111,418
At 31 December 2012	95,325	805	3,488	99,618

<sup>(1)</sup> Includes provision for restoration costs amounting to \$11,849,000 (2011: \$Nil).

<sup>(2)</sup> The carrying amounts of docks, launches, cranes and marine vessels included certain docks stated at Directors' valuation of \$25,152,000 in the year 1973. Subsequent additions to these docks were stated at cost. The revaluation was done on a one-off basis and accordingly, the transitional provision in FRS 16 Property, Plant and Equipment was adopted to continue with its existing policy of stating these docks at cost and revalued amounts. If the following re-valued assets of the Group and Company had been included in the financial statements at cost less accumulated depreciation, the net written down value would have been:

	1 00
Docks 1,189 2,4	55

The re-valued net book value of the docks is \$2,008,000 (2011: \$4,199,000).

<sup>(3)</sup> Others comprise motor vehicles, furniture and office equipment, utilities and fittings and computer equipment.

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### 5. Investment properties

Cost	Com 2012 \$'000	pany 2011 \$′000
Balance at 1 January and 31 December	95,361	95,361
Accumulated depreciation		
Balance at 1 January	57,347	50,745
Depreciation for the year	6,891	6,602
Balance at 31 December	64,238	57,347
Carrying amounts	31,123	38,014

The investment properties of the Company are used by the Group in carrying out its principal activities and are accounted for as property, plant and equipment at the Group.

The following amounts are recognised in profit or loss:

	Com	pany
	2012 \$'000	2011 \$'000
Rental income	(36,362)	(34,767)
Operating expenses arising from rental of investment properties	34,597	33,075

### 6. Investments in subsidiaries

any
2011 \$'000
464,226
(15,251)
448,975
_

Details of the Company's subsidiaries are set out in Note 42.

## 7. Investments in associates and joint ventures

	Gro	oup	Com	pany
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Investments in associates	359,625	332,745	107,369	107,369
Investments in joint ventures	57,704	47,320	-	_
	417,329	380,065	107,369	107,369
	<u>.</u>	<u> </u>		

Details of the Group's associates and joint ventures are set out in Note 42.

Year ended 31 December 2012

# 7. Investments in associates and joint ventures (cont'd)

Summarised financial information of associates, not adjusted for the percentage ownership held by the Group, is as follows:

	Group 2012 2011	
	\$'000	\$'000
Combined results		
Turnover	3,782,363	4,492,088
Profit for the year	107,796	154,478
Combined assets and liabilities		
Non-current assets	2,330,030	2,374,212
Current assets	4,916,891	3,899,616
Total assets	7,246,921	6,273,828
Current liabilities	(3,667,508)	(3,946,216)
Non-current liabilities	(1,818,359)	(755,506)
Total liabilities	(5,485,867)	(4,701,722)

Summarised financial information of joint ventures, representing the Group's share, is as follows:

	Group' 2012 \$'000	s share 2011 \$'000
Combined results		
Turnover	30,818	24,345
Expenses	(17,784)	(17,993)
Profit before tax	13,034	6,352
Tax (expense)/credit	(1,234)	228
Profit for the year	11,800	6,580
Combined assets and liabilities		
Non-current assets	169,516	116,312
Current assets	10,346	10,573
Current liabilities	(6,597)	(16,243)
Non-current liabilities	(115,561)	(63,322)
Net assets	57,704	47,320

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## 8. Other financial assets

	Grd 2012 \$'000	oup 2011 \$′000	Com 2012 \$'000	pany 2011 \$'000
(a) Non-current assets				
Available-for-sale financial assets:				
<ul> <li>Quoted equity securities, at fair value</li> </ul>	135,425	126,514	98,350	90,066
<ul> <li>Unquoted non-equity securities, at fair value</li> </ul>	314	347	314	347
<ul> <li>Unquoted equity securities, at cost</li> </ul>	78	78	-	_
	135,817	126,939	98,664	90,413
Financial assets at fair value through profit or loss, on initial recognition:  - Quoted equity securities, at fair value	8	17	-	-
Cash flow hedges:				
<ul> <li>Forward foreign currency contracts</li> </ul>	18,507	-	-	-
	154,332	126,956	98,664	90,413
(b) Current assets				
Cash flow hedges:				
<ul> <li>Forward foreign currency contracts</li> </ul>	32,394	2,528	_	_

Unquoted equity securities which have no market prices and whose fair value cannot be reliably measured using other valuation techniques are stated at cost less impairment losses.

# 9. Trade and other receivables

		Gro	oup	Company		
	Note	2012	2011	2012	2011	
(a) Non-current assets		\$'000	\$′000	\$'000	\$′000	
Trade receivables		74	302	_	_	
Amounts due from related parties	10	-	_	19,533	19,533	
Finance lease receivables	11	-	6,999	-	6,999	
Staff loans	(c)	83	92	-	_	
Loans and receivables		157	7,393	19,533	26,532	
Amounts due from related parties	10	61,517	65,128	46,902	48,752	
		61,674	72,521	66,435	75,284	
(1) 6						
(b) Curent assets		204 202	207.600			
Trade receivables		391,383	397,608	_	_	
Allowance for doubtful receivables		(1,827)	(2,400)	-		
		389,556	395,208	-	_	
Amounts due from related parties	10	11,144	12,319	78,350	36,148	
Finance lease receivables	11	_	3,833	_	3,833	
GST refundable		34,489	36,305	31	211	
Interest receivable		216	228	-	-	
Recoverables		10,603	11,735	3,151	2,364	
Staff loans	(c)	677	573	-	-	
Sundry deposits		2,565	2,407	-	_	
Loans and receivables		449,250	462,608	81,532	42,556	
Prepayments and advances		19,014	17,506	1,011	1,130	
		468,264	480,114	82,543	43,686	

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## **9.** Trade and other receivables (cont'd)

(c) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2011: 3.0%) per annum.

### 10. Amounts due from related parties

		Group		Company		
	Note	2012	2011	2012	2011	
		\$'000	\$'000	\$'000	\$'000	
Subsidiaries						
– Trade		-	-	95,780	52,287	
– Non-trade		-	-	2,103	3,347	
<ul> <li>Loans and advances</li> </ul>		_	_	46,902	48,752	
		-	_	144,785	104,386	
Associates and joint ventu	res					
– Trade		10,800	11,818	-	_	
– Non-trade		191	126	-	-	
<ul> <li>Loans and advances</li> </ul>		61,517	65,128	-	_	
		72,508	77,072	-	_	
Related companies						
– Trade		103	375	-	47	
– Non-trade		1	-	-	-	
		104	375	-	47	
Non-controlling interests						
– Non-trade		49	_	-	_	
Total						
– Trade		10,903	12,193	95,780	52,334	
– Non-trade		241	126	2,103	3,347	
– Loans and advances		61,517	65,128	46,902	48,752	
		72,661	77,447	144,785	104,433	
Amount due within 1 year	9	(11,144)	(12,319)	(78,350)	(36,148)	
	9	61,517	65,128	66,435	68,285	

The trade amounts due from related parties are unsecured, repayable on demand and interest-free.

The non-trade amounts due from related parties comprise mainly payments on behalf which are unsecured, repayable on demand and interest-free.

The loans and advances to related parties are unsecured and interest-free, except for \$47,210,000 (2011: \$50,410,000) of loan to a joint venture that bears a weighted average rate of 0.41% (2011: 0.28%) per annum. The settlement of loans and advances to related parties is neither planned nor likely to occur in the foreseeable future. As these are, in substance, a part of the Company's net investment in these entities, they are stated at cost.

No impairment loss has been recognised in respect of amounts due from related parties.

### 11. Finance lease receivables

Group and Company 2011	Minimum lease payment \$'000	Estimated residual value \$'000	Total gross investment in lease \$'000	Unearned interest income \$'000	Net value of lease receivables \$'000
Within 1 year	4,219	_	4,219	(386)	3,833
After 1 year but within 5 years	4,220	3,000	7,220	(221)	6,999
	8,439	3,000	11,439	(607)	10,832

In 2012, the lease receivables were settled in full. Prior to the settlement, interest rate was charged at 4.25% (2011: 4.25%) per annum. Those lease receivables relate to the leases of marine vessels for which the lessees also had the option to purchase the marine vessels during the term of the leases. There were no contingent rents recognised.

Year ended 31 December 2012

# 12. Intangible assets

Group Cost	Goodwill <sup>(1)</sup> \$'000	Club member- ships \$'000	Intellectual property rights \$'000	Total \$'000
Balance at 1 January 2011	8,485	840	-	9,325
Additions	_	_	33,559	33,559
Balance at 31 December 2011	8,485	840	33,559	42,884
Translation adjustments	(21)	(1)	-	(22)
Additions	-	19	-	19
Balance at 31 December 2012	8,464	858	33,559	42,881
Accumulated amortisation and impairment losses				
Balance at 1 January 2011	2,545	653	_	3,198
Amortisation for the year	_	_	2,685	2,685
Impairment loss	_	5	_	5
Balance at 31 December 2011	2,545	658	2,685	5,888
Translation adjustments	(21)	_	-	(21)
Amortisation for the year	-	_	3,356	3,356
Impairment loss	_	5	-	5
Balance at 31 December 2012	2,524	663	6,041	9,228
Carrying amounts				
At 1 January 2011	5,940	187	_	6,127
At 31 December 2011	5,940	182	30,874	36,996
At 31 December 2012	5,940	195	27,518	33,653

Company Cost	Club men 2012 \$'000	2011 \$'000
Balance at 1 January and 31 December	590	590
Accumulated impairment losses  Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January and 31 December	122	122

#### (1) Goodwill

#### Impairment testing for Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	Group			
	2012 \$'000	2011 \$'000		
Ship and rig repair, building and conversion	4,917	4,917		
Others	1,023	1,023		
Total	5,940	5,940		

For goodwill impairment testing, the recoverable amounts of cash-generating units of the Group are determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management for the next financial year. These cash flow projections are over a period of 5 years and are based on long-term secured contracts with customers, updated with new contracts over the financial year; and discounted at 6.9% (2011: 7.2%).

Year ended 31 December 2012

## 13. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group Deferred tax liabilities	At 1 January 2011 \$'000	Recognised in profit or loss (Note 29) \$'000	Recognised in other comprehensive income (Note 30) \$'000	Translation adjustments \$'000	At 31 December 2011 \$'000	Recognised in profit or loss (Note 29) \$'000	Recognised in other comprehensive income (Note 30) \$'000	Acquisition of subsidiary (Note 34) \$'000	Translation : adjustments \$'000	At 31 December 2012 \$'000
Property, plant and equipment	60,024	13,870	_	(66)	73,828	48,600	-	127	(67)	122,488
Investment in associates	4,655	2,916	_	_	7,571	1,641	-	-	-	9,212
Other financial assets	41,917	37	(33,141)	_	8,813	-	6,514	-	(1)	15,326
Trade and other receivables	520	(513)	-	_	7	455	-	-	-	462
Provisions	25	(25)	_	_	_	-	-	-	-	_
Other items	625	94	_	_	719	494	-	-	(4)	1,209
	107,766	16,379	(33,141)	(66)	90,938	51,190	6,514	127	(72)	148,697
Deferred tax assets										
Property, plant and equipment	_	-	-	_	-	(737)	-	-	17	(720)
Trade and other receivables	(572)	172	-	_	(400)	400	-	-	-	-
Unutilised tax losses, capital and investment allowances	(107)	107	-	_	_	(14,847)	-	-	4	(14,843)
Provisions	(3,202)	(1,821)	_	_	(5,023)	2,014	-	-	-	(3,009)
Other financial assets	_	-	(2,204)	_	(2,204)	-	829	-	-	(1,375)
Other items	(23)	15	_	_	(8)	1	-	_	_	(7)
	(3,904)	(1,527)	(2,204)	_	(7,635)	(13,169)	829	-	21	(19,954)
Net deferred tax liabilities	103,862	14,852	(35,345)	(66)	83,303	38,021	7,343	127	(51)	128,743

Year ended 31 December 2012

# 13. Deferred tax assets and liabilities (cont'd)

Company Deferred tax liabilities	At 1 January 2011 \$'000	Recognised in profit or loss (Note 29) \$'000	Recognised in other comprehensive income (Note 30) \$'000	Translation adjustments \$'000	At 31 December 2011 \$'000	Recognised in profit or loss (Note 29) \$'000	Recognised in other comprehensive income (Note 30) \$'000	Acquisition of subsidiary (Note 34) \$'000	Translation adjustments \$'000	At 31 December 2012 \$'000
Property, plant and equipment	20,719	(1,410)	-	-	19,309	(4,061)	-	-	-	15,248
Other financial assets	23,136	_	(15,054)	-	8,082	_	238	_	_	8,320
	43,855	(1,410)	(15,054)	_	27,391	(4,061)	238	-	-	23,568
Deferred tax assets										
Provisions	(13)	3	-	-	(10)	(2)	-	_	-	(12)
Net deferred tax liabilities	43,842	(1,407)	(15,054)	_	27,381	(4,063)	238	-	_	23,556
	·									·

Year ended 31 December 2012

### 13. Deferred tax assets and liabilities (cont'd)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

	Gro	oup	Com	pany
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax liabilities	131,131	85,197	23,556	27,381
Deferred tax assets	(2,388)	(1,894)	-	-
	128,743	83,303	23,556	27,381

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	2012 \$'000	2011 \$'000	
Deductible temporary differences	1,060	2,993	
Tax losses	7,288	3,306	
Capital allowances	471	424	
	8,819	6,723	

Tax losses of the Group amounting to \$2,891,000 (2011: \$2,968,000) applicable to certain foreign subsidiaries will expire in 2016 (2011: 2016). The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above temporary differences in accordance with Note 3.14 and under the following circumstances:

- (a) Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- (b) Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

# 14. Inventories and work-in-progress

		Group		
	Note	2012 \$'000	2011 \$'000	
Materials	(a)	18,977	18,061	
Finished goods	(a)	2,432	1,990	
Work-in-progress	(b)	1,709,818	906,197	
		1,731,227	926,248	

- (a) Materials and finished goods are stated after deducting \$3,588,000 (2011: \$3,292,000) of allowance for inventories obsolescence. In 2012, the write-down of materials and finished goods to net realisable value by the Group amounted to \$300,000 (2011: \$230,000). The reversal of write-downs by the Group in 2012 amounted to \$4,000 (2011: \$154,000). The write-down and reversal are included in cost of sales.
- (b) Work-in-progress

	Group		
	2012	2011	
	\$'000	\$′000	
Costs and attributable profits less allowance for foreseeable losses	5,025,644	3,896,167	
Progress billings	(4,199,864)	(3,342,415)	
	825,780	553,752	
Comprising:			
Work-in-progress	1,709,818	906,197	
Progress billings in excess of work-in-progress	(884,038)	(352,445)	
	825,780	553,752	

Information about critical judgement in determining the allowance for foreseeable losses is included in Note 41.

Year ended 31 December 2012

## 15. Cash and cash equivalents

	Group		Com	pany
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Fixed deposits	847,721	1,402,787	34,605	95,622
Cash and bank balances	561,186	586,825	41,295	31,186
Cash and cash equivalents in the consolidated statement of cash flows	1,408,907	1,989,612	75,900	126,808
Cash flows				

Fixed deposits of the Group and Company placed with financial institutions have maturity periods ranging from 3 to 78 days (2011: 1 day to 90 days) and 59 days (2011: 7 to 32 days) from the financial year-end and interest rates ranging from 0.05% to 7.00% (2011: 0.01% to 1.54%) per annum and 0.3% (2011: 0.03% to 0.24%) per annum respectively, which are also the effective interest rates.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of \$55,257,000 (2011: \$Nil) placed with a bank under the Group's cash pooling arrangement by the Company.

## 16. Trade and other payables

			oup		pany
	Note	2012 \$'000	2011 \$′000	2012 \$'000	2011 \$′000
(a) Current liabilities					
Trade payables					
Trade payables		1,670,783	1,774,201	32,603	36,661
Amounts due to related companies	17	3,907	2,938	837	251
		1,674,690	1,777,139	33,440	36,912
Other payables					
Deposits received		2,406	2,173	26	26
GST payables		1,009	1,160	_	_
Interest payable		365	147	-	_
Other creditors		8,120	5,693	83	83
Amounts due to related companies	17	731	81	31,094	32,987
		12,631	9,254	31,203	33,096
Total		1,687,321	1,786,393	64,643	70,008
(b) Non-current liabilities					
Other payables					
Accrued operating expenses		45,766	16,116	-	_

Year ended 31 December 2012

# 17. Amounts due to related parties

		Gro	oup	Company		
	Note	2012 \$'000	2011 \$′000	2012 \$'000	2011 \$′000	
Immediate holding		\$ 000	\$ 000	\$ 000	\$ 000	
<b>company</b> – Trade		543	263	517	251	
Subsidiaries						
– Non-trade		_	_	31,094	32,987	
Associates and joint ventures						
– Trade		2,824	2,412	-	-	
– Non-trade		-	71	-	-	
		2,824	2,483	-	-	
Related companies						
– Trade		540	263	320	_	
– Non-trade		731	10	-	_	
		1,271	273	320	_	
Total						
– Trade	16	3,907	2,938	837	251	
– Non-trade	16	731	81	31,094	32,987	
		4,638	3,019	31,931	33,238	

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

## 18. Provisions

Group 2012	Retirement gratuities \$'000	Warranty \$'000	Restoration costs \$'000	Total \$'000
Balance at 1 January	1,176	46,855	29,645	77,676
Translation adjustments	-	(426)	(47)	(473)
Provision made/(written-back) during the year, net	(188)	(29,445)	14,136	(15,497)
Balance at 31 December	988	16,984	43,734	61,706
Provisions due:				
– within 1 year	479	16,984	-	17,463
– after 1 year	509	-	43,734	44,243
	988	16,984	43,734	61,706
2011				
Balance at 1 January	1,589	54,904	29,648	86,141
Translation adjustments	_	(436)	(3)	(439)
Provision made/(written-back) during the year, net	(413)	(7,613)	_	(8,026)
Balance at 31 December	1,176	46,855	29,645	77,676
Provisions due:				
– within 1 year	479	46,855	-	47,334
– after 1 year	697	-	29,645	30,342
	1,176	46,855	29,645	77,676

Year ended 31 December 2012

### **18.** Provisions (cont'd)

Company	Restorat 2012 \$'000	ion costs 2011 \$'000
Balance at 1 January and 31 December	27,895	27,895
Provisions due:		
– after 1 year	27,895	27,895

#### Warranty

The provision for warranty is based on estimates made from weighting all possible outcomes by their associated probabilities and estimates made from historical warranty data associated with similar projects.

#### **Restoration costs**

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The subsidiaries expect to incur the liability upon termination of the lease.

### 19. Other financial liabilities

	Group		
	2012	2011 \$'000	
) Current liabilities	\$ 000	3 000	
Cash flow hedges:			
– Forward foreign currency contracts	1,428	4,993	
) Non-current liabilities			
Cash flow hedges:			
– Forward foreign currency contracts	78	13,659	
Cash flow hedges:  – Forward foreign currency contracts  Non-current liabilities  Cash flow hedges:			

### 20. Interest-bearing borrowings

		Group		
	Note	2012 \$'000	2011 \$′000	
Current liabilities		\$ 000	\$ 000	
Unsecured bank loan	(a)	32,981	35,111	
Non-accurate linkillation				
Non-current liabilities				
Unsecured bank loan	(b)	300,000	_	
Total interest-bearing borrowings		332,981	35,111	

- (a) The short-term loan is unsecured and bears interest rate at 1.63% (2011: 1.57% to 1.60%) per annum.
- (b) The long-term loan is unsecured and is guaranteed by the Company. The terms and conditions are as follows:

	Effective interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000
2012				
Unsecured bank loan	0.78%	2017	300,000	300,000

The interest rate is repriced on a monthly basis.

(c) The Company has a \$2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") pursuant to which the Company, together with its subsidiaries Jurong Shipyard Pte Ltd, Sembawang Shipyard Pte Ltd and SMOE Pte Ltd ("Issuing Subsidiaries"), may from time to time issue the Notes (as defined below), subject to availability of funds from the market. The obligations of Issuing Subsidiaries under the Notes are fully guaranteed by the Company.

Under the Programme, the Company or any of the Issuing Subsidiaries may from time to time issue notes in series or tranches in Singapore dollars or any other currency (the "Notes"). Such Notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The Notes are redeemable at par.

As at 31 December 2012 and 2011, there were no outstanding Notes.

Year ended 31 December 2012

### 21. Share capital

	No. of ordinary shares		
Issued and fully paid, with no par value:	2012	2011	
Balance at 1 January	2,085,163,488	2,077,902,979	
Exercise of share options, release of performance shares and restricted shares	3,362,737	7,260,509	
Balance at 31 December	2,088,526,225	2,085,163,488	

**Group and Company** 

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company reissued 2,912,985 (2011: 6,181,183) treasury shares during the year pursuant to its share based incentive plans (Note 35).

#### 22. Other reserves

Distributable	Note	Gro 2012 \$′000	2011 \$′000	Com 2012 \$'000	pany 2011 \$'000
Reserve for own shares	(a)	(3,223)	(10,555)	(3,223)	(10,555)
Non-distributable					
Foreign currency translation reserve	(b)	(104,782)	(52,796)	-	_
Share-based compensation reserve	(c)	(17,991)	(15,602)	(16,106)	(13,869)
Fair value reserve	(d)	40,193	28,833	46,952	38,636
Hedging reserve	(e)	33,894	(149)	-	_
Other capital reserves	(f)	25,574	25,574	960	960
		(26,335)	(24,695)	28,583	15,172

- (a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2012, the Company holds 739,000 (2011: 2,451,985) of its own shares as treasury shares.
- (b) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
- (c) Share-based compensation reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.
- (d) Fair value reserve records the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.
- (e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.
- (f) Included in other capital reserves are asset revaluation reserve of \$960,000 (2011: \$960,000) associated with the one-time revaluation conducted in 1973 (see Note 4) for both the Group and Company and transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which some of the Group's subsidiaries and associates operate.

### 23. Turnover

Turnover represents sales from the various activities described in Note 1 and Note 42, including the revenue recognised on contracts relating to ship and rig repair, building, conversion and offshore.

	Group		
	2012 \$'000	2011 \$′000	
Contract revenue	4,407,969	3,934,356	
Services rendered	5,227	5,070	
Sale of goods	16,927	20,804	
	4,430,123	3,960,230	

Year ended 31 December 2012

# 24. Operating profit

The following items have been included in arriving at operating profit:

	·	Group	
	Note	2012 \$'000	2011 \$'000
Allowance made for impairment losses on intangible assets	12	5	5
Amortisation of intangible assets	12	3,356	2,685
Audit fees paid/payable			
– auditors of the Company		505	436
– overseas affiliates of the auditors of the Company		80	89
– other auditors		36	_
Non-audit fees paid/payable			
– auditors of the Company		349	30
– other auditors		190	50
Depreciation of property, plant and equipment	4	90,632	83,593
Staff costs (see below)		486,270	467,746
Professional fee paid to directors or a firm in which a director is a member		-	274
Operating lease expenses		27,406	18,484
Property, plant and equipment written off		459	925
Gain on disposal of property, plant and equipment, net		(484)	(420)
Foreign currency exchange loss, net		23,953	3,777
Fair value adjustment on hedging instruments		(1,647)	5,961
Staff costs			
Salaries and bonus		400,102	384,729
Defined contribution plan		22,850	23,501
Share-based compensation		24,135	22,673
Directors' fee		1,657	1,678
Other employee benefits		37,526	35,165
		486,270	467,746

# 25. Finance income and Finance costs

	Group		
	2012 \$'000	2011 \$′000	
Finance income			
Interest income from:			
– Trade receivables	16,781	53,426	
<ul> <li>Fixed deposits and bank balances</li> </ul>	4,454	6,418	
– Joint venture	204	133	
	21,439	59,977	
Finance costs			
Borrowings	962	234	
Facility fee	1,359	1,504	
Commitment fee	941	854	
Interest rate swap - fair value through profit or loss	-	(101)	
	3,262	2,491	

### 26. Investment income

	Gro	oup
	2012 \$'000	2011 \$′000
Net dividend from:		
– Quoted equity shares	3,421	4,464

Year ended 31 December 2012

## 27. Non-operating income and Non-operating expenses

	Group		
	2012 \$'000	2011 \$'000	
Non-operating income:			
– Gain on disposal of available-for-sale financial assets	46	355	
– Gain on liquidation of subsidiary	81	_	
	127	355	
Non-operating expenses:			
– Impairment of available-for-sale financial assets	(2,566)	(2,399)	

## 28. Share of results of associates and joint ventures

		Group		
	Note	2012 \$'000	2011 \$'000	
Share of profit for the year		56,270	62,878	
Share of tax for the year	29	(12,269)	(9,603)	
		44,001	53,275	

## 29. Tax expense

		Group			
	Note	2012 \$'000	2011 \$′000		
Current tax expense					
Current year		58,349	121,108		
Over provided in prior years	(a)	(46,430)	(54,779)		
		11,919	66,329		
Deferred tax expense					
Movements in temporary differences		37,351	14,887		
Under/(over) provided in prior years		670	(35)		
		38,021	14,852		
Share of tax of associates and joint ventures	28	12,269	9,603		
Tax expense		62,209	90,784		

		Group		
N	lote	2012 \$'000	2011 \$′000	
Reconciliation of effective tax rate				
Profit for the year		567,438	769,129	
Tax expense		62,209	90,784	
Share of results of associates and joint ventures		(56,270)	(62,878)	
Profit before share of results of associates and joint ventures and tax expense		573,377	797,035	
Tax calculated using Singapore tax rate of 17% (2011: 17%)		97,474	135,496	
Exempt income, capital gains and tax incentives/ concessions		(8,210)	(7,459)	
Effect of different tax rates in foreign jurisdictions		(4,738)	1,357	
Effect on utilisation of deferred tax assets not previously recognised		(146)	(36)	
Non-deductible expenses		9,635	7,316	
Over provision in respect of prior years	(a)	(45,760)	(54,814)	
Deferred tax assets not recognised		2,386	2,478	
Others		(701)	(3,157)	
Share of tax of associates and joint ventures		12,269	9,603	
Tax expense		62,209	90,784	

As at 31 December 2012, certain subsidiaries have unutilised tax losses and capital and investment allowances of \$27,200,000 (2011: \$14,105,000) and other temporary differences of \$5,611,000 (2011: \$17,055,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

(a) In 2012, the Group wrote back \$41,317,000 of tax provision relating to prior year's gain on disposal of equity investments. In 2011, the Group had been allowed deduction of its losses from foreign exchange transactions for tax purposes for the Years of Assessment 2008 and 2009; and accordingly, the Group reversed tax provision of \$54,392,000 which had been provided for in 2007 and 2008.

Year ended 31 December 2012

### 30. Other comprehensive income

Tax effects relating to each component of other comprehensive income are set out below:

	2012			2011		
Group	Before tax \$'000	Tax expense \$'000	Net of tax \$'000	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
Foreign currency translation differences	(57,759)	-	(57,759)	12,436	-	12,436
Fair value changes of cash flow hedges	41,008	(6,965)	34,043	(66,993)	11,388	(55,605)
Fair value changes of available-for-sale financial assets	11,738	(378)	11,360	(156,176)	23,957	(132,219)
Other comprehensive income	(5,013)	(7,343)	(12,356)	(210,733)	35,345	(175,388)

### 31. Non-controlling interests

On 15 May 2010, the Company commenced proceedings in the High Court of Singapore against PPL Holdings Pte Ltd and its wholly owned subsidiary, E-Interface Holdings Limited for various reliefs, including the transfer of the remaining 15 per cent of the shares in PPL Shipyard Pte Ltd ("PPLS") to the Company. On 30 May 2012, the High Court released its judgement together with the Grounds of Decision. The decision was not favourable to the Company. On 29 June 2012, the Company filed an appeal to the Court of Appeal which was heard on 8 November 2012. Judgement had been reserved.

Pending the outcome of the appeal, the Group will continue to consolidate its 85 per cent interest in PPLS and separately account for the 15 per cent as a "non-controlling interest".

### 32. Earnings per share

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of \$538,453,000 (2011: \$751,903,000) by the weighted average number of ordinary shares outstanding of 2,085,879,000 (2011: 2,080,968,000) as follows:

	Group		
	2012 \$'000	2011 \$'000	
Profit attributable to owners of the Company	538,453	751,903	
	No. of shares '000	No. of shares '000	
Weighted average number of ordinary shares			
Issued ordinary shares at 1 January	2,085,163	2,077,903	
Effect of share options exercised, performance shares and restricted shares released	1,455	5,517	
Effect of own shares held	(739)	(2,452)	
Weighted average number of ordinary shares during the year	2,085,879	2,080,968	

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of \$538,453,000 (2011: \$751,903,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,087,285,000 (2011: 2,082,710,000) as follows:

	Gro 2012 \$'000	2011 \$'000
Profit attributable to owners of the Company	538,453	751,903
Weighted average number of ordinary shares (diluted)	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,085,879	2,080,968
Effect of dilutive share options	1,406	1,742
Weighted average number of ordinary shares during the year	2,087,285	2,082,710

Year ended 31 December 2012

#### 33. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed an estimated net dividend of \$167,023,000 (2011: \$416,543,000) comprising a final one-tier tax-exempt dividend of 6.00 cents per share (2011: 6.00 cents per share) and a special one-tier tax-exempt dividend of 2.00 cents per share (2011: 14.00 cents per share).

Dividends paid	Group and 2012 \$'000	2011 \$'000
Interim one-tier tax-exempt dividend of 5.00 cents per share (2011: 5.00 cents per share)	104,382	104,185
2011 final one-tier tax-exempt dividend of 6.00 cents per share (2011: 2010 final one-tier tax-exempt dividend of 6.00 cents per share)	125,303	125,093
2011 special one-tier tax-exempt dividend of 14.00 cents per share (2011: 2010 special one-tier tax-exempt dividend of 25.00 cents per share)	292,375	521,223
	522,060	750,501

# 34. Acquisition of subsidiary

On 25 September 2012, the Group through its wholly-owned subsidiary, SMOE Pte Ltd ("SMOE") acquired from Smulders Group the entire share capital in its wholly-owned subsidiary, SLP Engineering Limited ("SLP").

On 27 September 2012, SLP, based in Lowestoft Suffolk, United Kingdom ("UK"), was renamed Sembmarine SLP Limited and was held through newly incorporated company, Sembmarine North Sea Limited ("SNS"). SNS is 70% owned by SMOE and 30% owned by eight members of the SLP Management team.

The principal activity of SLP is that of design, engineering, fabrication and installation of platforms, modules and structures for the oil and gas industry. This acquisition was strategic to the Group as the Group will now have a footprint in the UK, providing synergistic support and reach out to its North Sea clientele. SLP offers the opportunity for future growth in new business areas within the renewable energy sector as well as in the fabrication of minimum facilities platform for marginal oil and gas fields in the North Sea and Asia Pacific waters.

(a) Effect on cash flows of the Group	Group 2012 \$'000
Repayment of loan from Smulders Group (previous owner)	(4,947)
Less: Cash and cash equivalents in subsidiary acquired	6,522
Cash inflow on acquisition	1,575
(b) Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,047
Trade and other receivables	6,744
Inventories and work-in-progress	232
Cash and cash equivalents	6,522
Total assets	20,545
Trade and other payables	(9,860)
Progress billings in excess of work-in-progress	(3,202)
Provisions	(46)
Loan from related party	(4,947)
Deferred tax liabilities	(127)
	(18,182)
Total net identifiable assets	2,363
Less: Non-controlling interests	(709)
Less: Negative goodwill	(1,654)
Consideration transferred for the business (£1)	-

Year ended 31 December 2012

#### 34. Acquisition of subsidiary (cont'd)

#### (c) Acquisition-related costs

Acquisition-related costs of \$880,000 were included in administrative expenses in the consolidated income statement.

#### (d) Acquired receivables

The fair value of trade and other receivables was \$6,744,000 and included trade receivables with fair value of \$6,245,000. The gross contractual amount for trade receivables due was \$6,245,000, of which none was expected to be uncollectible.

#### (e) Non-controlling interests

The Group had elected to measure the non-controlling interests at the non-controlling interests' proportionate share of SLP's net identifiable assets.

#### (f) Negative goodwill

Negative goodwill of \$1,654,000 arising from the acquisition was recognised in the consolidated income statement.

The Company's estimate of the net assets' fair value exceeded the estimated fair value of the total consideration paid which management believes resulted from Smulder Group's financial difficulties.

#### (g) Revenue and profit contribution

The acquired business contributed revenue of \$19,907,000 and loss for the year of \$452,000 to the Group for the period from 25 September 2012 to 31 December 2012.

Had SLP been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been \$4,459,986,000 and \$574,307,000 respectively.

The significant accounting estimates and judgements applied towards the identifiable net assets acquired and the contingent liabilities assumed for this business combination are further discussed in Note 41

### 35. Share-based incentive plans

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Goh Geok Ling Chairman

Tang Kin Fei

Ajaib Haridass (Appointed on 2 February 2012)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

Year ended 31 December 2012

# 35. Share-based incentive plans (cont'd)

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

#### (a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc, or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

(i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

- (ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- (iii) In 2012 and 2011, all options were either settled by the issuance of treasury shares or by the issuance of new shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

Year ended 31 December 2012

# **35.** Share-based incentive plans (cont'd)

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January	<b>Options</b> exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Numbers of options holders (including directors) at 31 December	Number of options exercisable at 1 January	Number of options exercisable at 31 December	Proceeds on options exercised during the year credited to share capital \$'000	Exercise period	
2012											
07/11/2002	\$0.64	125,650	(11,900)	(113,750)	-	-	125,650	-	8	08/11/2003 to 07/11/2012	
08/08/2003	\$0.71	73,420	(3,000)	-	70,420	15	73,420	70,420	2	09/08/2004 to 08/08/2013	
10/08/2004	\$0.74	241,010	(47,400)	(4,200)	189,410	51	241,010	189,410	35	11/08/2005 to 10/08/2014	
11/08/2005	\$2.11	1,503,750	(551,450)	(4,200)	948,100	103	1,503,750	948,100	1,164	12/08/2006 to 11/08/2015	
02/10/2006	5 \$2.38	1,856,482	(525,830)	(22,325)	1,308,327	223	1,856,482	1,308,327	1,251	03/10/2007 to 02/10/2016	
		3,800,312	(1,139,580)	(144,475)	2,516,257		3,800,312	2,516,257	2,460		
2011											
27/09/2001	\$0.47	54,810	(21,210)	(33,600)	-	-	54,810	-	10	28/09/2002 to 27/09/2011	
07/11/2002	\$0.64	161,700	(31,500)	(4,550)	125,650	14	161,700	125,650	20	08/11/2003 to 07/11/2012	
08/08/2003	8 \$0.71	216,470	(132,200)	(10,850)	73,420	17	216,470	73,420	94	09/08/2004 to 08/08/2013	
10/08/2004	\$0.74	1,723,958	(1,427,648)	(55,300)	241,010	62	1,723,958	241,010	1,056	11/08/2005 to 10/08/2014	
11/08/2005	\$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	126	4,213,877	1,503,750	5,522	12/08/2006 to 11/08/2015	
02/10/2006	\$2.38	191,750	(191,750)	-	-	-	191,750	-	456	03/10/2007 to 02/10/2011*	
02/10/2006	\$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	275	4,918,409	1,856,482	7,250	03/10/2007 to 02/10/2016	
		11,480,974	(7,467,337)	(213,325)	3,800,312		11,480,974	3,800,312	14,408		
										•	

<sup>\*</sup> Applicable to non-executive directors of the Company only.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Year ended 31 December 2012

## 35. Share-based incentive plans (cont'd)

The options of the Company exercised in 2012 resulted in 1,139,580 (2011: 7,467,337) ordinary shares being issued at a weighted average price of \$2.16 (2011: \$1.93). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$4.78 (2011: \$3.84).

#### **Fair value of Share Options**

The fair value of services received is measured by reference to the fair value of share options granted.

#### (b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2012 to 2014 will be vested to the senior management participants only if the restricted shares for the performance period 2013 to 2014 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

	2012	2011
At 1 January	1,765,000	1,970,000
Conditional performance shares awarded	675,000	585,000
Conditional performance shares released	(722,084)	(932,084)
Conditional performance shares lapsed	(93,610)	(242,916)
Additional performance shares awarded arising from targets met	240,694	385,000
At 31 December	1,865,000	1,765,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010), a total of 722,084 (2011: 932,084) performance shares were released via the issuance of treasury shares.

In 2012, there were additional 240,694 (2011: 385,000) performance shares awarded for over-achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2012, was 1,865,000 (2011: 1,765,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,797,500 (2011: 2,647,500) performance shares.

Year ended 31 December 2012

#### 35. Share-based incentive plans (cont'd)

#### **Fair value of Performance Shares**

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance shares granted during the year are as follows:

Date of grant	21 May 2012	15 July 2011
Fair value at measurement date	\$3.76	\$3.40
Assumptions under the Monte Carlo model		
Share price	\$4.48	\$5.28
Expected volatility:		
Sembcorp Marine Ltd	27.9%	29.8%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	21.8%	24.1%
Correlation with MSCI	84.3%	85.1%
Risk-free interest rate	0.5%	0.4%
Expected dividend	4.5%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged \$2,275,000 (2011: \$1,844,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

#### (c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2012.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under the SCM RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2012, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price ("VWAP") of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM"). In the event that no dividend is declared at the AGM, the VWAP will be based on a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

	2012	2011
At 1 January	10,150,285	11,380,303
Conditional restricted shares awarded	2,864,700	3,085,800
Conditional restricted shares released	(4,414,058)	(5,042,271)
Conditional restricted shares lapsed	(523,398)	(914,752)
Additional restricted shares awarded arising from targets met	1,466,001	1,641,205
At 31 December	9,543,530	10,150,285

Year ended 31 December 2012

## 35. Share-based incentive plans (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 1,709,403 (2011: Nil) restricted shares were released. For awards in relation to the performance period 2009 to 2010, a total of 1,434,630 (2011: 1,888,581) restricted shares were released. For awards in relation to the performance period 2008 to 2009, a total of 1,185,425 (2011: 1,531,500) restricted shares were released. In 2011, 1,502,177 restricted shares were released for awards in relation to the performance period 2007 to 2008; and 16,413 restricted shares were released for awards in relation to the performance period 2006 to 2007. In 2012, there were 84,600 (2011: 103,600) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2012, additional 1,466,001 (2011: 1,641,205) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2012, was 9,543,530 (2011: 10,150,285). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,688,200 (2011: 6,242,400). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,532,300 (2011: 9,363,600) restricted shares.

#### Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010), a total of \$8,163,619 (2011: \$7,336,725), equivalent to 1,533,650 (2011: 1.373.250) notional restricted shares, were paid.

A total of 1,031,300 (2011: 1,122,200) notional restricted shares were awarded on 21 May 2012 (2011: 15 July 2011) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2012, was 1,974,400 (2011: 2,167,200). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 2,961,600 (2011: 3,250,800).

#### Fair value of Restricted Shares

The fair values of the restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted shares granted during the year are as follows:

Date of grant	21 May 2012	15 July 2011
Fair value at measurement date	\$3.92	\$4.36
Assumptions under the Monte Carlo model		
Share price	\$4.48	\$5.28
Expected volatility:		
Sembcorp Marine Ltd	27.9%	29.8%
Risk-free interest rate	0.5% - 0.8%	0.3% - 0.5%
Expected dividend	4.5%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged \$15,060,000 (2011: \$15,820,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

#### Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group charged \$6,800,000 (2011: \$5,009,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

Year ended 31 December 2012

#### 36. Related parties

#### (a) Related party transactions

Significant transactions during the year between the Group and its related parties on terms as agreed between the respective parties and which are not otherwise disclosed elsewhere in these financial statements consist of:

	Group		
	2012 \$'000	2011 \$′000	
Immediate holding company			
Management fee payable	250	250	
Related companies			
Sales	6,790	7,085	
Purchases	81,893	70,107	
Others	78	_	
Associates and joint ventures			
Sales	665	1,396	
Purchases	20,288	14,231	
Professional fees paid to a firm in which a director is a member	-	274	

#### (b) Compensation of key management personnel

The Group considers the directors of the Company, President & Chief Executive Officer/ Managing Director of Jurong Shipyard Pte Ltd, Deputy President/Managing Director of Sembawang Shipyard Pte Ltd, Chief Financial Officer of the Company, Managing Director of PPL Shipyard Pte Ltd, Managing Director of SMOE Pte Ltd and Executive Director of Jurong SML Pte Ltd to be key management personnel in accordance with FRS 24 *Related Party Disclosures*. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group		
	2012	2011	
	\$'000	\$'000	
Directors' fees and remuneration	7,695	10,846	
Other key management personnel remuneration	6,349	7,520	
	14,044	18,366	
Fair value of share-based compensation	2,145	2,098	

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses.

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

Year ended 31 December 2012

#### 37. Financial instruments

#### Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of the Group to cover liquidity, counterparty risks, foreign exchange and derivative transactions and financing.

The Group utilises foreign currency contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

#### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

#### (i) Interest rate risk

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts, where working capital is financed mainly by variable rate loans while long term investments are financed mainly by fixed rate loans. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. After taking into account the effect of an interest rate swap, the Group's borrowings are substantially at a fixed rate of interest. Surplus funds, if any, are placed with reputable banks.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

At the reporting date, the profile of the interest-bearing financial instruments was:

	Note	Group Carrying amount 2012 2011 \$'000 \$'000		Carrying amount Carrying am 2012 2011 2012			
Fixed rate instruments							
Fixed deposits	15	847,721	1,402,787	34,605	95,622		
Variable rate instruments							
Cash and bank balances	15	561,186	586,825	41,295	31,186		
Unsecured bank loans	20	(332,981)	(35,111)	_	_		
		228,205	551,714	41,295	31,186		

#### Fair value sensitivity analysis for fixed rate instruments

The Group and Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss due to the short period to maturity. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

It is estimated that a 50 basis points ("bp") change in interest rate at the reporting date would have increased/(decreased) profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2012 Profit before tax		2011 Profit before tax	
	50 bp 50 bp Increase Decrease \$'000 \$'000		50 bp Increase \$'000	50 bp Decrease \$'000
Group				
Variable rate instruments	1,141	(1,141)	2,759	(2,759)
Company				
Company				
Variable rate instruments	206	(206)	156	(156)

Year ended 31 December 2012

## 37. Financial instruments (cont'd)

#### (ii) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than the Singapore dollar, primarily the United States dollar ("USD") and the Euro ("EUR"). To minimise exposure on foreign currency risks, the Group usually settles such transactions within 30 day terms.

The Group also utilises forward foreign currency contracts to hedge foreign currency denominated financial assets, liabilities and firm commitments. Under this programme, increases or decreases in the Group's foreign currency denominated financial assets, liabilities and firm commitments are partially offset by gains and losses on the hedging instruments. The Group does not use forward foreign currency contracts for trading purpose.

The Group's and Company's foreign currency exposures are as follows:

Group 2012	SGD \$'000	USD \$'000	EUR \$'000	Others \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	15,911	148,547	41,464	8,647	214,569
Trade and other receivables	7,143	139,281	16,041	22,758	185,223
Other financial assets	-	-	-	35,730	35,730
	23,054	287,828	57,505	67,135	435,522
Financial liabilities					
Trade and other payables	(90,646)	(179,502)	(81,888)	(50,458)	(402,494)
Interest-bearing borrowings	-	(32,981)	-	-	(32,981)
	(90,646)	(212,483)	(81,888)	(50,458)	(435,475)
Net financial (liabilities)/ assets Forward foreign currency contracts	(67,592) –	75,345 (109,032)	(24,383)	16,677 4,013	47 (105,019)
Net exposure	(67,592)	(33,687)	(24,383)	20,690	(104,972)
Cash flow hedges for future dated transactions Forward foreign currency contracts	47,171	(1,463,530)	19,263	4,819	(1,392,277)

	SGD	USD	EUR	Others	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Financial assets					
Cash and cash equivalents	12,962	585,547	105,665	20,742	724,916
Trade and other receivables	14,497	128,017	984	445	143,943
Other financial assets	_	_	-	28,884	28,884
	27,459	713,564	106,649	50,071	897,743
Financial liabilities					
Trade and other payables	(134,563)	(153,321)	(40,946)	(27,647)	(356,477)
Interest-bearing borrowings	_	(35,111)	-	_	(35,111)
	(134,563)	(188,432)	(40,946)	(27,647)	(391,588)
Net financial (liabilities)/ assets	(107,104)	525,132	65,703	22,424	506,155
Forward foreign currency contracts	_	(310,024)	_	-	(310,024)
Net exposure	(107,104)	215,108	65,703	22,424	196,131
Cash flow hedges for future					
Forward foreign currency contracts	177,800	(1,662,196)	133,870	29,035	(1,321,491)

Year ended 31 December 2012

# 37. Financial instruments (cont'd)

Company	USD \$'000	Others \$'000	Total \$'000
2012			
Financial assets			
Cash and cash equivalents	1,387	-	1,387
Other financial assets	-	35,700	35,700
	1,387	35,700	37,087
2011			
Financial assets			
Cash and cash equivalents	1,074	_	1,074
Other financial assets		28,867	28,867
	1,074	28,867	29,941

The notional amount of the forward foreign currency contracts are set out below:

	20	)12	2011		
Group	Notional amount \$'000	Assets/ (Liabilities) \$'000	Notional amount \$'000	Assets/ (Liabilities) \$'000	
Forward foreign currency contracts	1,620,202	49,395	2,158,472	(16,124)	

As at 31 December 2012, the settlement dates on open derivative contracts range from 1 to 27 months (2011: 1 to 35 months).

#### Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date for the Group's and Company's monetary items, including forward foreign currency contracts, would have increased/(decreased) equity (after tax) and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Group		Cor	mpany
	Equity \$'000	Profit before tax \$'000	Equity \$'000	Profit before tax \$'000
2012				
USD	(105,561)	(10,828)	_	139
EUR	26	(543)	-	-
SGD	89	(2,258)	-	-
Others	3,363	(1,502)	2,963	_
	(102,083)	(15,131)	2,963	139
2011				
USD	(154,740)	40,507	_	107
EUR	530	17,603	_	_
SGD	_	7,094	-	_
Others	4,806	(644)	2,396	
	(149,404)	64,560	2,396	107

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Year ended 31 December 2012

# 37. Financial instruments (cont'd)

#### (iii)Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group manages the risk of unfavourable changes by cautious review of the investments before investing and continuous monitoring of the performance of investments held and assessing market risk relevant to which the investments operate.

#### Sensitivity analysis

If prices for equity securities increase by 10% with all other variables being held constant, the equity and profit before tax will increase by:

	Gro	oup	Company		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	
Equity	13,543	12,651	9,835	9,007	
Profit before tax	1	2	_	_	

A 10% decrease in the underlying equity prices (assuming no impairment found on the equity securities) would have equal but opposite effects on the amounts shown above. The analysis is performed on the same basis for 2011 and assumes that all other variables remain constant.

#### (b) Credit risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group manages credit risk arising from sales to customers through a stringent credit evaluation process and regular monitoring thereafter. The management of credit risk is on an aggregate basis by including all existing relationships with a particular customer or related entities of the same corporate organisation. There is no significant concentration of credit risk on the outstanding financial instruments as at year end.

The carrying amounts of trade and other receivables, cash and cash equivalents and derivatives with positive fair values represent the Group's maximum exposure to credit

Cash and fixed deposits are placed in banks and financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have a sound credit rating.

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Note	Gro 2012	oup 2011	Company 2012 2011	
		\$'000	\$'000	\$'000	\$'000
By business activity					
Ship and rig repair, building and conversion		445,659	465,401	-	_
Others		3,748	4,600	101,065	69,088
		449,407	470,001	101,065	69,088
Loans and receivables					
Non-current trade and other receivables	9	157	7,393	19,533	26,532
Current trade and other receivables	9	449,250	462,608	81,532	42,556
		449,407	470,001	101,065	69,088

The age analysis of loans and receivables for the Group is as follows:

Constru	Gross 2012 \$'000	Impairment 2012 \$'000	Gross 2011 \$'000	Impairment 2011 \$'000
Group				
Not past due	375,101	_	356,533	_
Past due 0 to 3 months	57,896	-	98,189	_
Past due 3 to 6 months	10,484	_	10,088	191
Past due 6 to 12 months	5,031	752	2,212	360
More than 1 year	2,722	1,075	5,379	1,849
	451,234	1,827	472,401	2,400
Company				
Not past due	101,065	-	69,088	_

Year ended 31 December 2012

# 37. Financial instruments (cont'd)

Movements in the allowance for impairment of current and non-current trade and other receivables are as follows:

	Gro	oup
	2012 \$'000	2011 \$'000
Balance at 1 January	2,400	2,014
Currency translation difference	(7)	1
Allowance made	943	1,165
Allowance written back	(589)	(732)
Allowance utilised	(914)	(48)
Disposal of subsidiary	(6)	_
Balance at 31 December	1,827	2,400

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Based on historical default rates, the Group believes that the amount of impairment allowance made is adequate in respect of trade and other receivables. These receivables are mainly arising by customers that have a good collection track record with the Group.

Trade receivables that are individually determined to be impaired at the balance sheet date relate to receivables that are in significant financial difficulty and have defaulted on payments.

#### (c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group's and Company's financial liabilities (including derivative financial liabilities) based on expected contractual undiscounted cash inflows/(outflows), including interest payments and excluding the impact of netting agreements:

		Cash flows				
Craws	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years	Over 5 years \$'000	
Group 2012	\$.000	\$1000	\$1000	\$'000	\$.000	
Derivative financial liabilities						
Forward foreign currency contracts	(1,506)					
- Inflow		72,867	71,494	1,373	-	
- Outflow		(74,373)	(72,922)	(1,451)	-	
Derivative financial assets						
Forward foreign currency contracts	50,901					
- Inflow		1,547,335	920,116	627,219	-	
- Outflow		(1,496,434)	(887,722)	(608,712)	-	
Non-derivative financial liabilities						
Trade and other payables*	(1,728,136)	(1,728,136)	(1,683,469)	(22,111)	(22,556)	
Interest-bearing borrowings	(332,981)	(344,816)	(35,597)	(309,219)	-	
	(2,011,722)	(2,023,557)	(1,688,100)	(312,901)	(22,556)	
2011						
Derivative financial liabilities	;					
Forward foreign currency contracts	(18,652)					
- Inflow		1,092,992	302,985	790,007	-	
- Outflow		(1,111,644)	(307,978)	(803,666)	-	
<b>Derivative financial assets</b> Forward foreign currency	2,528					
contracts – Inflow	, .	1,065,480	1,065,480	_	_	
- Outflow		, ,	(1,062,952)	_	_	
Non-derivative financial liabilities						
Trade and other payables*	(1,799,213)	(1,799,213)	(1,783,972)	(15,241)	_	
Interest-bearing borrowings	(35,111)	(35,388)	(35,388)	_	_	
	(1,850,448)	(1,850,725)	(1,821,825)	(28,900)	-	

Year ended 31 December 2012

### 37. Financial instruments (cont'd)

		Cash flows					
Company 2012	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000		
Non-derivative financial liabi	lities						
Trade and other payables*	(64,617)	(64,617)	(64,617)	-	-		
2011							
Non-derivative financial liabilities							
Trade and other payables*	(69,982)	(69,982)	(69,982)	-	-		

<sup>\*</sup> Excludes deposits received and advance payment from customers.

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss:

		Cash flows			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	
Group	\$'000	\$'000	\$'000	\$′000	
2012					
Derivative financial liabilities					
Forward foreign currency contracts	(1,506)				
- Inflow		72,867	71,494	1,373	
- Outflow		(74,373)	(72,922)	(1,451)	
Derivative financial assets					
Forward foreign currency contracts	50,901				
- Inflow		1,547,335	920,116	627,219	
- Outflow		(1,496,434)	(887,722)	(608,712)	
	49,395	49,395	30,966	18,429	
2011					
Derivative financial liabilities					
Forward foreign currency contracts	(18,652)				
- Inflow		1,092,992	302,985	790,007	
- Outflow		(1,111,644)	(307,978)	(803,666)	
Derivative financial assets					
Forward foreign currency contracts	2,528				
- Inflow		1,065,480	1,065,480	-	
- Outflow		(1,062,952)	(1,062,952)	_	
	(16,124)	(16,124)	(2,465)	(13,659)	

#### (d) Estimation of fair values

FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

- Level 1 Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 Fair values are measured using inputs which are not based on observable market data (unobservable input).

#### Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

#### **Derivatives**

The fair value of forward foreign currency contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps, based on current interest rates curves, is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

#### Non-derivative financial liabilities

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Year ended 31 December 2012

#### **37.** Financial instruments (cont'd)

#### Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

#### (e) Fair value hierarchy

The following table sets forth by level within the fair value hierarchy the financial assets and liabilities that were accounted for at fair value on a recurring basis at the balance sheet date. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

	Fair value measurement using:			
Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2012				
Available-for-sale financial assets	135,425	314	_	135,739
Financial assets designated at fair value through profit or loss	8	-	-	8
Derivative financial assets	_	50,901	_	50,901
	135,433	51,215	-	186,648
Derivative financial liabilities	-	(1,506)	-	(1,506)
Total	135,433	49,709	-	185,142
At 31 December 2011				
Available-for-sale financial assets	126,514	347	_	126,861
Financial assets designated at fair value through profit or loss	17	_	_	17
Derivative financial assets		2,528	_	2,528
	126,531	2,875	_	129,406
Derivative financial liabilities	_	(18,652)	_	(18,652)
Total	126,531	(15,777)	_	110,754
Company				
At 31 December 2012				
Available-for-sale financial assets	98,350	314	_	98,664
At 31 December 2011				
Available-for-sale financial assets	90,066	347	_	90,413
Available-101-sale illidiicidi assets	30,000	347	_	30,413

Year ended 31 December 2012

# **37.** Financial instruments (cont'd)

#### (f) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

Group At 31 December 2012	Note	Designated at fair value through profit or loss \$'000	Fair value – hedging instruments \$'000	Available-for- sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
Financial assets								
Cash and cash equivalents	15	_	_	_	1,408,907	_	1,408,907	1,408,907
Trade and other receivables	9	_	_	_	449,407	_	449,407	449,407
Available-for-sale financial assets	8(a)	-	_	135,739	-	-	135,739	135,739
Financial assets at fair value through profit or loss, on initial recognition								
– Equity shares	8(a)	8	-	-	-	-	8	8
Cash flow hedges								
<ul> <li>Forward foreign currency contracts</li> </ul>	8(a), 8(b)	-	50,901	_	-	-	50,901	50,901
Total financial assets		8	50,901	135,739	1,858,314	-	2,044,962	2,044,962
Financial liabilities								
Trade and other payables		-	-	-	-	1,728,136	1,728,136	1,728,136
Cash flow hedges								
<ul> <li>Forward foreign currency contracts</li> </ul>	19	-	1,506	_	-	-	1,506	1,506
Interest-bearing borrowings	20	-	-	-	-	332,981	332,981	332,981
Total financial liabilities		-	1,506	_	-	2,061,117	2,062,623	2,062,623

Year ended 31 December 2012

# **37.** Financial instruments (cont'd)

(f) Fair value versus carrying amounts (cont'd)

Group	Note	Designated at fair value through profit or loss \$'000	Fair value – hedging instruments \$'000	Available-for- sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$′000
At 31 December 2011								
Financial assets								
Cash and cash equivalents	15	_	_	_	1,989,612	_	1,989,612	1,989,612
Trade and other receivables	9	_	_	-	470,001	-	470,001	470,001
Available-for-sale financial assets	8(a)	_	_	126,861	_	_	126,861	126,861
Financial assets at fair value through profit or loss, on initial recognition								
– Equity shares	8(a)	17	_	_	_	_	17	17
Cash flow hedges								
– Forward foreign currency contracts	8(b)		2,528		_		2,528	2,528
Total financial assets		17	2,528	126,861	2,459,613		2,589,019	2,589,019
Financial liabilities								
Trade and other payables		_	-	-	_	1,799,213	1,799,213	1,799,213
Cash flow hedges								
– Forward foreign currency contracts	19	-	18,652	-	_	-	18,652	18,652
Interest-bearing borrowings	20				-	35,111	35,111	35,111
Total financial liabilities		_	18,652	_	-	1,834,324	1,852,976	1,852,976

Year ended 31 December 2012

#### **37.** Financial instruments (cont'd)

#### (f) Fair value versus carrying amounts (cont'd)

Company	Note	Available- for-sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$′000
At 31 December 2012						
Financial assets						
Cash and cash equivalents	15	-	75,900	_	75,900	75,900
Trade and other receivables	9	-	101,065	-	101,065	101,065
Available-for-sale financial assets	8(a)	98,664	_	_	98,664	98,664
Total financial assets		98,664	176,965		275,629	275,629
Financial liabilities						
Trade and other payables		_	_	64,617	64,617	64,617
At 31 December 2011						
Financial assets						
Cash and cash equivalents	15	_	126,808	_	126,808	126,808
Trade and other receivables	9	_	69,088	_	69,088	69,088
Available-for-sale financial assets	8(a)	90,413	_	_	90,413	90,413
Total financial assets		90,413	195,896	_	286,309	286,309
Financial liabilities						
Trade and other payables		_	_	69,982	69,982	69,982

#### (g) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group records a net cash position as at 31 December 2012 (2011: net cash position).

There were no changes in the Group's approach to capital management during the year.

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2012.

Year ended 31 December 2012

# 38. Contingent liabilities

	Company		
	2012 \$'000	2011 \$'000	
Unsecured corporate guarantees granted in respect of:			
– Performance of subsidiaries	1,997,233	3,091,818	
– Unsecured bank loan by a subsidiary	300,000	_	

#### 39. Commitments

Commitments not provided for in the financial statements are as follows:

	Gro	oup	Company		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$′000	
(a) Approved capital commitment:					
<ul> <li>Approved capital expenditure commitment</li> </ul>	307,977	326,924	_	_	
(b) Minimum lease rental payable i respect of land and buildings					
– Within 1 year	18,872	15,821	11,246	10,575	
– After 1 year but within 5 years	61,800	51,922	35,780	35,384	
– After 5 years	279,036	285,596	63,117	67,500	
	359,708	353,339	110,143	113,459	
(c) Share of joint ventures' approved and contracted capital commitments	34,427	24,964	_	_	

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

# 40. Operating segments

#### (a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are (i) ship and rig repair, building and conversion and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

Year ended 31 December 2012

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total
2012	\$ 000	\$ 000	\$.000	\$.000	\$′000
Turnover					
Sales to external parties	4,407,969	-	22,154	-	4,430,123
Inter-segment sales	-	-	198,832	(198,832)	_
Total	4,407,969	-	220,986	(198,832)	4,430,123
Results					
Segment results	545,968	(213)	8,463	_	554,218
Finance income	21,399	-	40	_	21,439
Finance costs	(3,262)	_	_	_	(3,262)
Investment income	78	-	3,343	_	3,421
Non-operating income	81	_	46	_	127
Non-operating expenses	(2,566)	-	_	_	(2,566)
Share of results of associates and joint ventures	42,692	10,763	2,815	_	56,270
Profit before tax	604,390	10,550	14,707	_	629,647
Tax expense	(100,993)	(486)	39,270	-	(62,209)
Profit for the year	503,397	10,064	53,977	-	567,438
Assets					
Segment assets	5,174,093	14,347	178,217	_	5,366,657
Investments in associates and joint ventures	371,457	42,539	3,333	_	417,329
Deferred tax assets	966	-	1,422	_	2,388
Tax recoverable	83	-	_	_	83
Total assets	5,546,599	56,886	182,972	_	5,786,457

Year ended 31 December 2012

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Liabilities					
Segment liabilities	3,002,218	4	11,096	-	3,013,318
Deferred tax liabilities	122,182	_	8,949	-	131,131
Current tax payable	93,600	_	1,383	_	94,983
Total liabilities	3,218,000	4	21,428		3,239,432
Capital expenditure	535,864		116		535,980
Significant non-cash items					
Depreciation and amortisation	92,913	-	1,075	-	93,988
Impairment/write-off of assets	464		_	-	464

Year ended 31 December 2012

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$′000
2011					
Turnover					
Sales to external parties	3,934,356	-	25,874	-	3,960,230
Inter-segment sales		_	244,250	(244,250)	
Total	3,934,356		270,124	(244,250)	3,960,230
Results					
Segment results	726,342	(28)	10,815	_	737,129
Finance income	59,935	_	42	_	59,977
Finance costs	(2,491)	_	_	_	(2,491)
Investment income	_	_	4,464	_	4,464
Non-operating income	-	-	355	_	355
Non-operating expenses	(2,399)	-	_	_	(2,399)
Share of results of associates and joint ventures	56,191	5,850	837	_	62,878
Profit before tax	837,578	5,822	16,513	_	859,913
Tax expense	(89,572)	572	(1,784)	_	(90,784)
Profit for the year	748,006	6,394	14,729	_	769,129
Assets					
Segment assets	4,482,655	14,766	171,899	_	4,669,320
Investments in associates and joint ventures	341,370	37,383	1,312	_	380,065
Deferred tax assets	332	_	1,562	_	1,894
Tax recoverable	367	_			367
Total assets	4,824,724	52,149	174,773	-	5,051,646

Year ended 31 December 2012

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Liabilities					
Segment liabilities	2,272,692	5	13,696	_	2,286,393
Deferred tax liabilities  Current tax payable	76,497 131,101	_	8,700 42,875	_	85,197 173,976
Total liabilities	2,480,290	5	65,271		2,545,566
Capital expenditure	471,220	_	279	_	471,499
Significant non-cash items					
Depreciation and amortisation	85,129	_	1,149	_	86,278
Impairment/write-off of assets	930		_	_	930

Year ended 31 December 2012

## **40.** Operating segments (cont'd)

#### (b)Geographical segments

The Group operates in 10 (2011: 9) countries and principally in the Republic of Singapore. Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2012	Turnover from external customers \$'000	Non-current assets (1) \$'000	Total assets \$'000	Capital expenditure \$'000
Singapore	361,372	1,455,901	5,180,888	460,456
China	2,173	343,535	343,651	39
Rest of ASEAN, Australia & India	802,848	131,222	174,857	38,347
Middle East & Africa	550,711	-	-	-
Norway	1,148,957	-	-	-
Rest of Europe	223,144	7,039	27,435	186
Cayman Islands	730,362	-	-	-
Other countries	610,556	51,008	59,626	36,952
Total	4,430,123	1,988,705	5,786,457	535,980
2011				
Singapore	180,242	1,071,095	4,565,511	443,562
China	739	326,302	326,681	_
Rest of ASEAN, Australia & India	464,233	101,157	138,186	15,155
Norway	1,171,685	-	-	-
Cyprus	659,090	-	-	-
UK	566,140	-	-	-
Rest of Europe	140,374	-	37	-
Cayman Islands	560,996	-	_	-
Other countries	216,731	17,980	21,231	12,782
Total	3,960,230	1,516,534	5,051,646	471,499

<sup>(1)</sup> Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables (other than financial instruments) and intangible assets.

#### (c) Major customers

In 2012, no single external customer accounted for 10% or more of the Group's revenue (2011: 2 customers accounted for 25% of the Group's revenue).

# (d) Reconciliation of reportable segment revenues, profit, assets and liabilities and other material items:

	Group 2012 2011	
	\$'000	\$'000
Revenues		
Total revenue for reportable segments	4,407,969	3,934,356
Other revenue	239,854	290,302
Elimination of inter-segment revenue	(217,700)	(264,428)
Consolidated revenue	4,430,123	3,960,230
Profit		
	64.4.0.40	0.43, 400
Total profit for reportable segments	614,940	843,400
Other profit	14,707	16,513
Consolidated profit before tax	629,647	859,913
Assets		
Total assets for reportable segments	5,603,485	4,876,873
Other assets	182,972	174,773
Consolidated total assets	5,786,457	5,051,646
Liabilities		
Total liabilities for reportable segments	3,218,004	2,480,295
Other liabilities	21,428	65,271
Consolidated total liabilities	3,239,432	2,545,566

Year ended 31 December 2012

#### 40. Operating segments (cont'd)

	Reportable segment totals \$'000	Adjustments \$'000	Consolidated totals \$'000
Other material items 2012			
Finance income	(21,399)	(40)	(21,439)
Finance costs	3,262	_	3,262
Investment income	(78)	(3,343)	(3,421)
Depreciation and amortisation	92,913	1,075	93,988
Impairment/write-off of assets	464	-	464
Capital expenditure	535,864	116	535,980
Other material items 2011			
Finance income	(59,935)	(42)	(59,977)
Finance costs	2,491	_	2,491
Investment income	-	(4,464)	(4,464)
Depreciation and amortisation	85,129	1,149	86,278
Impairment/write-off of assets	930	-	930
Capital expenditure	471,220	279	471,499

## 41. Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

#### (a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 12.

#### (b) Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made.

#### (c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; and therefore future depreciation charges could be revised.

Year ended 31 December 2012

#### 41. Significant accounting estimates and judgements (cont'd)

#### (d) Provisions

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 18.

#### (e) Acquisition in a business combination

#### Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchange on the date of acquisition between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant and equipment, fixtures and fittings is based on the market approach using quoted market prices for similar items when available.

#### Intangible assets

The fair value of trademarks and customer contracts acquired in a business combination is estimated based on the discounted cash flows expected to be derived from the use of the assets, and are deemed to be nil due to forecasted losses.

#### Contingent liabilities

Contingent liabilities acquired in a business combination include performance guarantees and parent company guarantees. Management has assessed that the probability of performance guarantees and parent company guarantees being called upon is remote. For performance guarantees, based on historical experience, there have been minimal payouts to customers. For parent company guarantees, all projects where parent company guarantees are granted are on schedule. Therefore, no contingent liability is recognised in the business combination as the fair value of the contingent liabilities is deemed to be inconsequential.

#### Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

# (a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has recognised revenue on construction contract, ship and rig repair, building and conversion based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the construction contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

As at 31 December 2012, the net carrying amount of work-in-progress amounted to \$825,780,000 (2011: \$553,752,000).

#### (b) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Year ended 31 December 2012

# 42. Group entities

Details of the Group's subsidiaries, associates and joint ventures are as follows:

Name of company  Subsidiaries	Place of incorporation and business	Principal activities	equit	ctive y held Group 2011 %
Bulk Trade Pte Ltd	Cinganara	Dulle trading	100	100
	Singapore	Bulk trading	100	
Dolphin Shipping Company Private Limited	Singapore	Ship owning and chartering	100	100
JPL Industries Pte Ltd	Singapore	Processing and distribution of copper slag	85.8	85.8
Jurong Integrated Services Pte Ltd	Singapore	Steel fabrication work	100	100
Jurong Machinery and Automation Pte Ltd	Singapore	Under liquidation	100	100
Jurong Marine Services Pte Ltd	Singapore	Provision of tugging and sea transportation services	100	100
Jurong Shipbuilders Private Limited	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd	Singapore	Ship and rig repair, building, conversion and related services	100	100
Jurong SML Pte Ltd	Singapore	Shipbuilding, ship repair and related services	100	100
Karimun Shiprepair and Engineering Pte Ltd	Singapore	Investment holding	100	100
PPL Shipyard Pte Ltd (Note 31)	Singapore	Rig building, repair and related services	85	85
SCM Investment Holdings Pte Ltd	Singapore	Investment holding	100	100
Sembawang Shipyard Pte Ltd	Singapore	Ship repair and related services	100	100
Sembcorp Holdings, LLC***	United States of America	Investment holding	100	100
Sembcorp Marine Technology Pte Ltd	Singapore	Research & development in offshore and marine technology	100	100
SembMarine Investment Pte Ltd	Singapore	Investment holding	100	100
SML Shipyard Pte Ltd	Singapore	Ship repair and related services	100	100
SMOE Pte Ltd	Singapore	Engineering, construction and fabrication of offshore structures	100	100

Year ended 31 December 2012

Name of company	Place of incorporation and business	ation		ctive y held Group 2011 %
Associates				
Cosco Shipyard Group Co Ltd**	People's Republic of China	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	30	30
Joint Shipyard Management Services Pte Ltd	Singapore	Managing dormitories	32	32
Joint ventures of Dolphin Shipping Company Priv	vate Limited			
Dolphin Workboats Pte Ltd	Singapore	Ship owning and charter	50	50
Pacific Workboats Pte Ltd**	Singapore	Ship leasing and marine surveying services	50	50
Subsidiary of JPL Industries Pte Ltd				
JPL Concrete Products Pte Ltd	Singapore	Production of concrete products	85.8	85.8
Subsidiaries and joint venture of Jurong Shipyard	d Pte Ltd			
Dolphin Rig 1 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Dolphin Rig 2 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	-
Dolphin Rig 3 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Dolphin Rig 4 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Dolphin Rig 5 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Dolphin Rig 6 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Dolphin Rig 7 Pte. Ltd.	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	_
Estaleiro Jurong Aracruz Ltda*	Brazil	Render services for engineering, construction, assembling, installation, maintenance, conservation, conversion, modernisation and repairs of vessels, FPSOs and any other floating structures	100	100
JED Centre Sdn. Bhd.*	Malaysia	Render services for engineering	100	_

Year ended 31 December 2012

Name of company	Place of incorporation and business	Principal activities	Effect equity by the 2012 %	/ held
Subsidiaries and joint venture of Jurong Shipyard F	<b>Pte Ltd</b> (cont'd)			
Jurong Autoblast Services Pte Ltd	Singapore	Surface preparation of steel plates, structures and marine engineering services	100	100
Jurong Brazil-Singapore Pte Ltd	Singapore	Singapore Under liquidation		100
Jurong do Brasil Prestacao de Servicos Ltda*	Brazil	Render services for engineering, construction, assembling, installation, maintenance, conservation, conversion, modernisation and repairs of equipment, machinery, systems, piping, structures and accessories in the marine and offshore fields		100
Jurong Marine Contractors Private Limited	Singapore	Provision of contract services		100
Jurong Netherlands B.V.***	Netherlands	Investment holding		100
Jurong Offshore Pte. Ltd.	Singapore	e Investment holding		_
Jurong Solutions Pte. Ltd.	Singapore	Provision of management and technical services	100	_
Marine Housing Services Pte Ltd**	Singapore	Provision of dormitory housing services	50	50
Shanghai Jurong Marine Engineering & Technology Co Ltd**	People's Republic of China			70
Subsidiary of Karimun Shiprepair and Engineering	Pte Ltd			
P.T. Karimun Sembawang Shipyard**	Indonesia	Ship repair and related services	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	85	85
Baker Marine Services (HK) Limited*	Hong Kong	Provision of rig designs	85	85
Baker Marine Technology Inc.***	United States of America	Engineering design, research and development, marketing and client services support centre	85	85

Year ended 31 December 2012

Name of company	Place of incorporation and business	Principal activities	equit	ctive y held Group 2011 %
Subsidiaries, associate and joint venture of Ser	mbawang Shipyard Pte L	td	/6	/0
Ecospec Global Technology Pte Ltd	Singapore	Provision of environmental engineering services	20	_
Sembawang Shipyard Project Services Pte Ltd	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd	Singapore	Investment holding	100	100
Sembawang Shipyard Services Pte Ltd	Singapore	Marine services	100	100
Sembmarine Kakinada Limited**	India	Ship repair, conversion, building and related activities	40	40
SES Engineering (M) Sdn Bhd*	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd	Singapore	Marine services	100	100
Subsidiaries of Sembcorp Holdings, LLC				
Sabine Offshore Services Inc***	United States of America	Inactive	100	100
Sembcorp-Sabine Industries Inc***	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard Inc***	United States of America	Rig and vessel enhancement and upgrading services	100	100

Year ended 31 December 2012

Place of incorporation Name of company and business Principal activities  Subsidiaries and associates of SMOE Pte Ltd		Principal activities	equity	ective ty held e Group 2011 %	
Subsidiaries and associates of SIMOE Pte Ltd					
HQSM Engineering Pte Ltd**	Singapore	Engineering, procurement and construction for oil and gas related business	49	49	
PT SMOE Indonesia*	Indonesia	Engineering, construction and fabrication of offshore structures	90	90	
Sembmarine North Sea Limited*	United Kingdom	Investment holding	70	_	
Sembmarine SLP Limited*	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	70	_	
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd**	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35	
Straits Offshore Pte Ltd	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100	
Straits Overseas Pte Ltd	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100	

<sup>\*</sup> Audited by other member firms of KPMG LLP

<sup>\*\*</sup> Audited by other firms

<sup>\*\*\*</sup> These companies are not required to be audited under the laws of their country of incorporation

Year ended 31 December 2012

#### 43. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting period beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

FRS 19 Employee Benefits (revised 2011)

FRS 110 Consolidated Financial Statements

FRS 111 Joint Arrangements

FRS 112 Disclosure of Interests in Other Entities

FRS 113 Fair Value Measurement

FRS 19 *Employee Benefits* (revised 2011) revises certain principles of remeasurement gains and losses for defined benefit plans and requiring these re-measurement to be presented in other comprehensive income. The standard also requires a reassessment of the basis used for determining the income and expense related to defined benefit plans. In addition, there are changes to the definition of employee benefits as short-term or other long-term employee benefits. The management anticipates that the adoption of the above amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

FRS 110 Consolidated Financial Statements replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The management anticipates that the adoption of FRS 110 in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 111 Joint Arrangements introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently. The management anticipates that the adoption of FRS 111 in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 112 *Disclosure of Interests in Other Entities* requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The management anticipates that the adoption of FRS 112 in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 113 Fair Value Measurement provides consistent guidance across FRSs on how fair value should be determined and which disclosures should be made in the financial statements. The adoption of this standard will require the Group to re-assess the bases used for determining the fair values computed for both measurement and disclosure purposes. On initial application of the standard, the Group does not expect substantial changes to the bases used for determining fair values.

# **Supplementary Information**

Year ended 31 December 2012

# (Under SGX-ST Listing Manual requirements)

# A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended 31 December 2012

sammary compensation table for the year ended 31.5			Directors Fair value of share-			s' Fees		
Name of Director	Salary¹ \$′000	Bonus Earned \$'000	based compensation granted for the year <sup>2</sup> \$'000	Cash- based <sup>3</sup> \$'000	Share- based <sup>4</sup> \$'000	Brought Forward Bonus Bank⁵ \$'000		
Payable by the Company:								
Goh Geok Ling	_	_	_	196	84	_		
Richard Hale, OBE (retired on 20 April 2012)	_	_	_	41	18	_		
Wong Weng Sun	795	2,830	1,273	_	_	10,946		
Lim Ah Doo	_	_	_	113	49	_		
Ajaib Haridass	_	_	_	162	69	_		
Tang Kin Fei <sup>3</sup>	_	_	_	150	64	_		
Ron Foo Siang Guan	_	_	_	121	52	_		
Koh Chiap Khiong <sup>3</sup>	_	_	_	73	32	_		
Tan Sri Mohd Hassan Marican	_	_	_	99	42	_		
	795	2,830	1,273	955	410	10,946		
Payable by Subsidiaries:								
Goh Geok Ling	_	_	_	84	_	_		
Tang Kin Fei <sup>3</sup>	_	_	_	79	_	_		
Koh Chiap Khiong <sup>3</sup>	_	_	_	55	_	_		
		_	-	218	_	_		

# **Supplementary Information**

Year ended 31 December 2012

#### (Under SGX-ST Listing Manual requirements)

#### A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended 31 December 2012

		Directors' Fees				
Name of Key Executive	Salary¹ \$'000	Bonus Earned \$'000	Fair value of share- based compensation granted for the year <sup>2</sup> \$'000	Cash- based³ \$'000	Share- based <sup>4</sup> \$'000	Brought Forward Bonus Bank <sup>5</sup> \$'000
Ong Poh Kwee	411	891	415	_	_	4,120
Tan Cheng Tat	327	444	255	_	_	1,029
Ho Nee Sin	335	571	_	_	_	1,240
Douglas Tan Ah Hwa	560	1,750	_	_	_	_
Freddie Woo Fong Wah	190	320	50	_	_	_
	1,823	3,976	720	_	_	6,389

#### Notes:

- 1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- 2. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
- 3. Directors' fees in cash for Mr Tang Kin Fei and Mr Koh Chiap Khiong are payable to Sembcorp Industries Ltd.
- 4. To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

For year 2012, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S\$65,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price ("VWAP") of a share on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM"). In the event that no dividend is declared at the AGM, the VWAP will be based on a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2012 (excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

# **Supplementary Information**Year ended 31 December 2012

# (Under SGX-ST Listing Manual requirements)

# **B.** Interested Person Transactions

Aggregate value of all interested person transactions
conducted under a shareholders' mandate pursuant to
Rule 920 of the SGX-ST Listing Manual

	2012 \$'000	2011 \$′000
Transaction for the Sales of Goods and Services		
Temasek Holdings (Private) Limited and its associcates	54,256	-
PSA International Pte Ltd and its associates	2,941	2,331
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	41,261	38,834
PSA International Pte Ltd and its associates	105	312
Singapore Technologies Engineering Ltd and its associates	212	228
Singapore Technologies Telemedia Pte Ltd and its associates	1,618	2,588
Singapore recimologies referrediante eta analis associates	1,010	2,500
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	100,643	44,543

# Major Properties At as 6 March 2013

Location	Description & Approximate Land Area	Tenure	Usage
Jurong Shipyard			
Jalan Samulun	Land area: 198,098m² Buildings, workshops, drydocks and quays	Leasehold	Ship repairs including drydock, berthage & workshops
Tanjong Kling Road	Land area: 491,055m² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage & workshops
Sembawang Shipyard			
Admiralty Road East/ Admiralty Road West	Land area: 860,939m² Buildings, workshops, docks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage & workshops
PPL Shipyard			
Pandan Road	Land area: 141,791m <sup>2</sup>	15 years leasehold (JTC Land)	Rig repairs, upgradings, fabrication and rig building including berthage and workshops
Pandan Road	Land area: 9,182m <sup>2</sup>	30 years leasehold (JTC Land)	Leg component fabrication
Tuas Crescent	Land area: 57,890m <sup>2</sup>	5 years leasehold (JTC Land)	Fabrication facilities
Jurong SML			
Shipyard Road	Land area: 63,300m <sup>2</sup> Buildings, workshops, drydocks	6 years leasehold (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage & workshops
Tuas Road	Land area: 59,942m² Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage & workshops
P.T. Karimun Sembawang Ship	pyard		
Karimun Island, Indonesia	Land area: 307,000m² Buildings, workshops and wharves	30 years leasehold with option for 20 years plus another option for 30 years	Ship repair and fabrication including berthage and workshops
JPL Industries			
Jurong Pier Road	Land area: 27,783m <sup>2</sup>	20 years leasehold (JTC Land)	Copper slag recycling

# Major Properties At as 6 March 2013

Location	Description & Approximate Land Area	Tenure	Usage
SES Engineering Sdn Bhd		1	1
Perindustrian Taman Johor, Johor Bahru	Land area: 5,235m <sup>2</sup> Workshop and 3-storey office building	Freehold	Metal fabrication workshop
P.T. SMOE Indonesia			
Batam Island, Indonesia	Land area: 685,300m <sup>2</sup> Workshop, 3-storey office building and 547m of jetty for modules load out	30 years leasehold	Workshops & fabrication facilities
Tuas View Integrated Facility			
Tuas View Extension Phase I (under development, completion in 2013)	Land area: 733,104m <sup>2</sup> Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, rig repairs & upgrading, ship conversion and offshore activities
Tuas View Extension Phase II	Land area: 345,600m <sup>2</sup> (to be developed)	30 plus 30 years leasehold (JTC land)	Ship repairs, rig repairs & upgrading, ship conversion and offshore activities
Estaleiro Jurong Aracruz			
Municipal of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000m <sup>2</sup> Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
Sembmarine SLP Ltd			
Lowestoft, Suffolk, UK	Land area: 55,000m <sup>2</sup> Workshop and 2-storey office block	Freehold and leasehold land ranges from 22 to 99 years	Workshops & fabrication facilities
Mendon Spring			·
Pasir Panjang	9 units of 3-room apartment with built-in area of 99m² per unit	Freehold	Residential properties

# **Sembcorp Marine Ltd**

# **Notice of Annual General Meeting**

Company Registration No. 196300098Z (Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN THAT the 50th Annual General Meeting of the Company will be held on Friday, April 19, 2013 at 11.00 a.m. at 29 Tanjong Kling Road, Singapore 628054 to transact the following business:-

#### **ORDINARY BUSINESS**

Statements for the year ended December 31, 2012 and the Auditors Report thereon.

1 To receive and adopt the Directors' Report and Audited Financial

Resolution 1

To declare a final one-tier tax exempt ordinary dividend of 6 cents per ordinary share and a final one-tier tax exempt special dividend of 2 cents per ordinary share for the year ended December 31, 2012.

Resolution 2

To re-elect the following directors, each of whom will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election.

> Resolution 3 Resolution 4 Resolution 5

Mr Ajaib Haridass (b) Mr Tang Kin Fei

(c) Mr Ron Foo Siang Guan

Resolution 6

To re-appoint Mr Goh Geok Ling, who will retire under Section 153 of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

Resolution 7

- To approve the sum of S\$1,365,248 as Directors' Fees for the year ended December 31, 2012 comprising:
  - S\$955,674 to be paid in cash (2011: S\$973,124), and
  - (b) S\$409,574 to be paid in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010 (2011: S\$417,053), with the number of shares to be awarded rounded down to the nearest hundred and any residual balance settled in cash

To re-appoint KPMG LLP as Auditors of the Company and authorise the Directors to fix their remuneration.

**Resolution 8** 

#### **SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:-

7 That authority be and is hereby given to the Directors of the Company to:

Resolution 9

- (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares.

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion deem fit: and

(notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force.

#### provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below);

# **Sembcorp Marine Ltd**

# **Notice of Annual General Meeting**

Company Registration No. 196300098Z (Incorporated in the Republic of Singapore)

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Resolution is passed, after adjusting for:-
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- 8 That approval be and is hereby given to the Directors to:
  - (a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the "Performance Share Plan") and/or the Sembcorp Marine Restricted Share Plan 2010 (the "Restricted Share Plan") (the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and

(b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans.

#### provided that:

- (i) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time; and
- (ii) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time.
- 9 To transact any other business.

Resolution 10

By Order of the Board

Tan Yah Sze/Kwong Sook May Joint Company Secretaries

April 3, 2013

# Sembcorp Marine Ltd Notice of Annual General Meeting

Company Registration No. 196300098Z (Incorporated in the Republic of Singapore)

#### **Explanatory Notes:**

Resolutions 3 to 6 – detailed information on these Directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2012.

Resolution 5 – if re-elected, Mr Ron Foo Siang Guan, an independent Director, will remain as member of the Audit Committee.

Resolution 7 – is to approve the payment of Directors' fees, comprising a cash component and a share component. Detailed information on Directors' fees is set out under "Competitive Board Remuneration" in the Corporate Governance Report section in the Annual Report 2012 (see pages 32 to 33). Directors and their associates will abstain from voting on Resolution 7.

The Directors' fees will only be paid after shareholders' approval has been obtained at the forthcoming Annual General Meeting ("AGM") of the Company. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

For year 2012, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for Mr Wong Weng Sun, who is the President & Chief Executive Officer, and who does not receive any Directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive Director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive Director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if Resolution 2 is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

#### Statement pursuant to Article 54 of the Articles of Association of the Company:

Resolution 9 – is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares in the capital of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 10 – is to empower the Directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the "Share Plans") and to issue ordinary shares in the capital of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 20, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

#### Notes:

- 1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time of the Annual General Meeting.

#### NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

**NOTICE IS HEREBY GIVEN** that the Register of Members and Share Transfer Books of the Company will be closed on April 30, 2013 to determine the members' entitlements to the proposed dividend.

Duly completed transfers in respect of ordinary shares in the capital of the Company together with all relevant documents of title received by the Company's Share Registrar, KCK Corpserve Pte Ltd, 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, up to 5.00 p.m. on April 29, 2013 (the "Book Closure Date") will be registered to determine members' entitlements to the proposed dividend. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the 50th Annual General Meeting, will be paid on May 13, 2013.



Company Registration No. 196300098Z (Incorporated in the Republic of Singapore)

# PROXY FORM

- 1. For investors who have used their CPF monies to buy shares in the capital of Sembcorp Marine Ltd, the Annual Report to Shareholders dated 3 April 2013 is forwarded to them at the request of their CPF Approved Nominees sent FOR INFORMATION ONLY.
- 2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by then

	parported to be	used by them.	II and core	Ordinary Business			
	3. CPF Investors w Approved Nomi		nould contact their CPF	1	To adopt the Directors' Report and Financial Statements		
				2	To declare Final Dividend		
₩e	(Name)		(NRIC/ Passport No.)	3	To re-elect Ajaib Haridass		
	(,			4	To re-elect Tang Kin Fei		
of			(Address)	5	To re-elect Ron Foo Siang Guan		
peing a member/members	of Sembcorp Marine Ltd, hereby	appoint:-		6	To re-appoint Goh Geok Ling		
		- 1-1		7	To approve Directors' Fees		
	NRIC/ Passport	Proportion of Shareholdings	8	To re-appoint KPMG LLP as Auditors and to fix their remuneration			
Name Address	Number	(%)		Special Business			
				9	To approve Share Issue Mandate		
and/or (delete as appropriate)				10	To authorize the Directors to grant awards and issue shares under Sembcorp Marine's Share Plans		
					Total Number of Shares Held		
to demand a poll, at the 50	attend and vote for me/us on my/ O <sup>th</sup> Annual General Meeting of the pore 628054 on Friday, April 19,	e Company t	o be held at 29				
Mportant: Please read notes belo'	W			Signat	ure(s) and/or Common Seal of Member(s)	Date	
Notes:							

Resolutions

- 1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
- 2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company
- 3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time appointed for the Annual General Meeting. The sending of a proxy form by a shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.
- 5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be

cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In

the absence of specific directions, the proxy/proxies will vote or abstain as he/they may

For

Against

think fit, as he/they will on any other matter arising at the Annual General Meeting.)

- 6. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50
- 7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Affix Postage Stamp

# The Company Secretary Sembcorp Marine Ltd

29 Tanjong Kling Road Singapore 628054

# SEMBCORP MARINE LTD

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